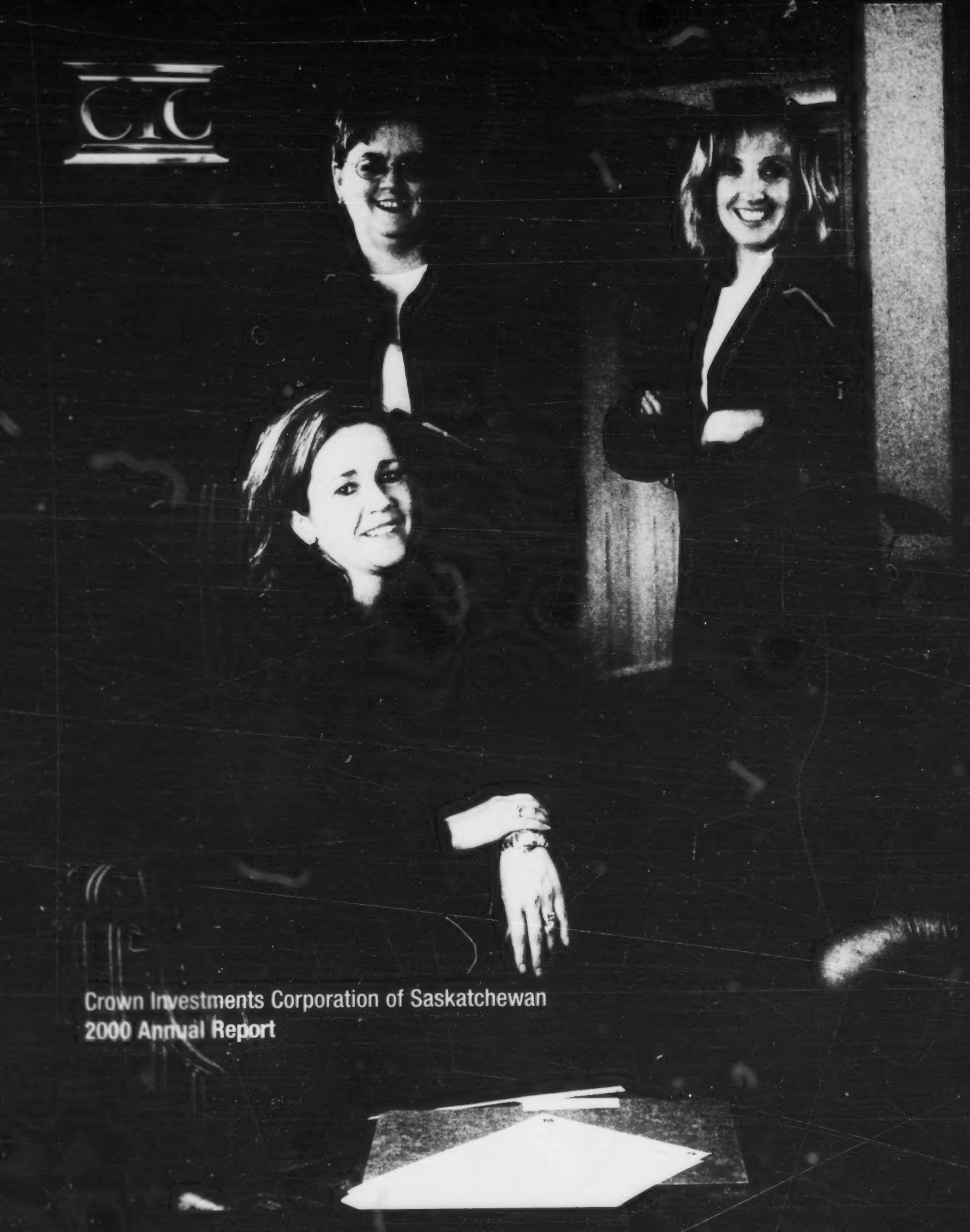


# Crown Investments Corporation of Saskatchewan
# 2000 Annual Report

## Letter of Transmittal

Regina, Saskatchewan
March 31, 2001

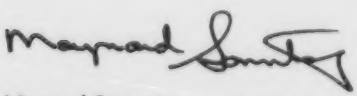
To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the twenty-third Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2000 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Madam,

Your obedient servant,



Maynard Sonntag
Minister of Crown Investments Corporation

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# Messages from the

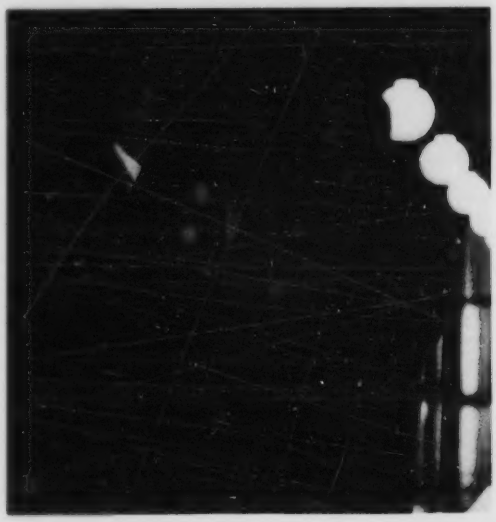
## Chair's Message

The first year of the new millennium was a year of accomplishment and growth for Crown Investments Corporation of Saskatchewan (CIC).

As the financial holding company for Saskatchewan's commercial Crown corporations, CIC set and met high standards for corporate governance and performance management in 2000. Training sessions were developed and delivered to directors of CIC's subsidiary Crown boards to help them become more effective. The Balanced Scorecard was further developed with the introduction of a *Performance Reporting and Disclosure Policy* and the incorporation of public policy objectives, measures and targets into annual corporate business plans. The Institute of Public Administration of Canada (IPAC) recognized the contributions made in these areas by CIC's Strategic Management team and CIC's Corporate Secretariat, which were awarded the Lieutenant Governor's gold medal for 1999.

CIC continued to implement its investment strategy in 2000 by committing $54 million in new equity investments and $5 million in new loans. Projects include a $20 million equity investment in Centennial Foods of Calgary, which is expanding its food processing business into Saskatchewan by building a plant in Saskatoon that will initially employ 190 people, and a $15 million equity investment in Big Sky Farms Inc., which will create 90 jobs in rural Saskatchewan and allow the company to become one of the largest hog producers in Western Canada.

An independent committee was established to review Saskatchewan's no-fault auto insurance plan which is administered by Saskatchewan Government Insurance (SGI). The Personal Injury Protection Plan (PIPP) Review Committee conducted its work throughout 2000 and presented its report to government in late December.



The Saskatchewan Rate Review Panel was established in 2000 to conduct independent reviews of rate change requests from Crown corporations. The panel completed two reviews in 2000, and provided government with its opinion on the fairness and reasonableness of proposals made by SGI on behalf of the Saskatchewan Auto Fund, and by SaskEnergy.

After a busy and fulfilling year, CIC looks forward to the challenges of 2001 and beyond. CIC will continue to provide strategic focus to its subsidiary Crown corporations and play an important role in Saskatchewan's economic growth through commercially viable investments.

# Chair and President

**Maynard Sonntag**
**Minister of Crown Investments Corporation**
**Chair of the Board of Directors**

**Frank Hart**
**President and CEO**

## President's Message

Saskatchewan's Crown corporation sector recorded increases in revenues and earnings in 2000. At the same time, higher expenses and operating costs, as well as higher debt in some subsidiaries, contributed to a slightly higher overall debt for the sector than in 1999.

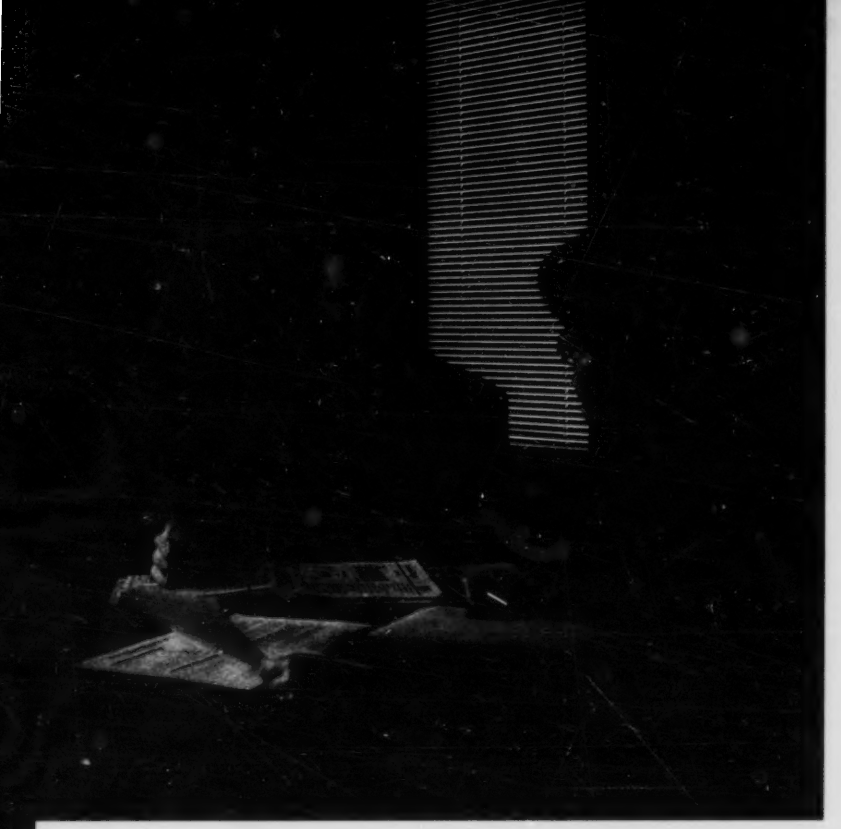
Consolidated earnings for 2000 were $293 million on revenues of $3,230 million. That compares with 1999 earnings of $216 million on revenues of $2,818 million. Earnings for 2000 included $274 million from ongoing operations and $19 million from non-recurring items, such as a gain of $13.7 million on the sale of shares in Austar United Communications Limited. The increase of more than $411 million in revenues in 2000 as compared to 1999, was due mainly to increased operating revenues and investment earnings.

Operating revenues were more than $391 million higher in 2000 than in 1999 mainly because of higher sales by commodity-based investments and higher utility sales. Investment earnings were up $15 million mainly due to increased earnings from SGI's investment portfolio and Saskferco.

Expenses and operating costs each increased by close to $290 million in 2000, as compared to 1999. The main factors were higher fuel and purchased power costs for SaskPower, higher natural gas costs for SaskEnergy, and higher natural gas and heavy oil feedstock costs for NewGrade.

Overall Crown sector debt increased by $35 million in 2000, and stood at close to $3,130 million at the end of the year. However, a reduction of close to $1,039 million in debt since 1996 has significantly improved the sector's financial position. The debt ratio has also dropped from 62 per cent in 1996 to 49 per cent in 2000.

The performance of the Crown sector in 2000 bodes well for another promising year in 2001. CIC and its subsidiary Crown corporations will continue to meet the challenges of providing quality, affordable services and coping with fluctuating commodity prices. I am pleased to present this report which provides details for 2000 and an outlook for 2001.



## Vision

CIC provides a strategic focus to the Crown corporation sector and is a centre of excellence for public investment. CIC is financially self-sufficient and is a leader in facilitating economic growth through commercially viable investments.

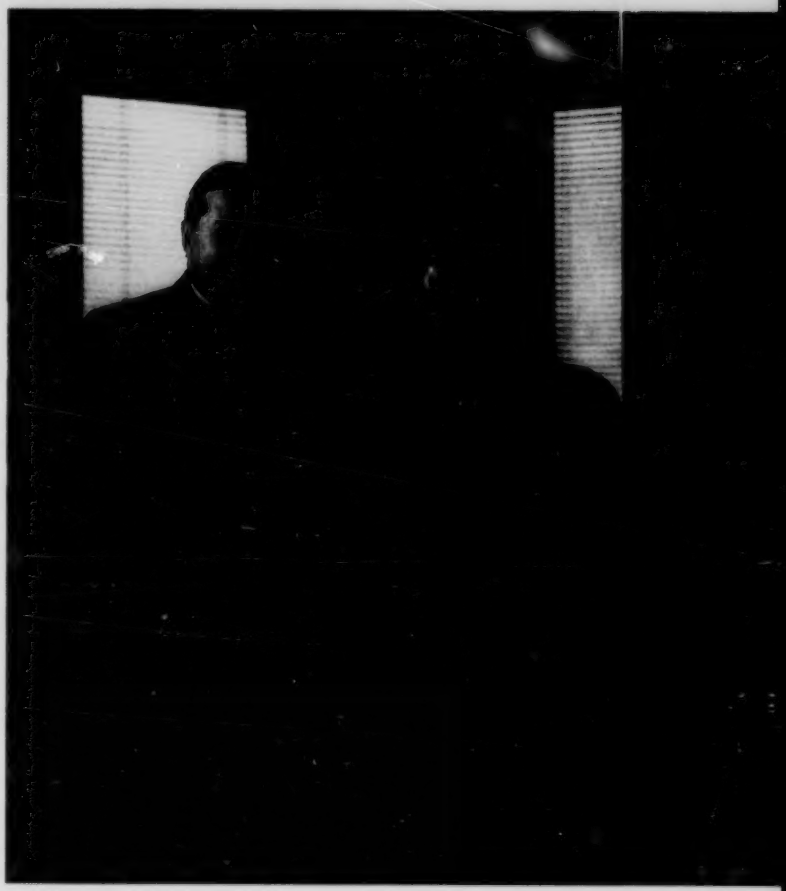
# Vision

# Mission

## Mission

We are the Province of Saskatchewan's holding company that:

- establishes the strategic direction for subsidiary Crown corporations through effective governance and performance management;
- manages prudently a diversified portfolio of commercially viable investments; and,
- enhances Saskatchewan's long term economic growth and diversification through investments and Crown corporations.



# Values

## Values

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and,
- being a model employer by developing our employees' knowledge and skills.

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## 2000 Objectives and Accomplishments

CIC establishes business objectives each year. These objectives are based on the shareholder's expectations as set out in CIC's 2000 Balanced Scorecard and are aligned with the overall Crown Sector Strategic Plan.

These objectives are organized under the five key perspectives of the Balanced Scorecard: Leadership; Customers and Stakeholders; Public Purpose; Financial Performance; and, Innovation and Learning.

### Leadership Scorecard

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Effective leadership to subsidiaries | • Subsidiaries' key Balanced Scorecard objectives are aligned with CIC's strategic direction. | • Introduced *Performance Reporting and Disclosure Policy for Annual Reports* to require demonstrated alignment of subsidiaries' objectives to Crown Sector strategic direction. |
| | • Crown specific public policies are incorporated in corporate business plans. | • Public policy objectives, measures and targets incorporated into annual corporate business plans and Balanced Scorecard performance targets. |
| | • Provide three Crown board governance training sessions. | • Delivered three *Board Member Training* sessions, and three *Excellence in Governance Lecture Series*, to directors of subsidiary Crown boards. |

### Customer Scorecard

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Exceptional customer service | • Maintain and enhance service to CIC and Crown sector Boards of Directors and obtain feedback. | • CIC Board completed a Customer Satisfaction evaluation survey that indicated overall satisfaction with CIC services, work products, relationships and results. |
| | | • Met or exceeded expectations on all indicators measured in the 2000 subsidiary *Crown Board Customer Satisfaction Survey*. |
| Good reporting to the public | • Hold 12 pension committee member meetings. | • Held 14 pension committee member meetings. |
| | • On-time preparation of Annual Report and Semi-Annual Financial Report. | • Achieved. |
| | • Significant transaction reporting to Crown Corporations Committee within 90 days. | • Achieved. (see page 40) |

## Public Purpose Scorecard

| Objective | Measures and Targets | 2000 Results |
|---|---|---|
| Efficient and effective delivery of the government's public purpose expectations | • Continue implementation of investment strategy. | • Created Corporate Development Division to identify, evaluate and develop new investment opportunities. In 2000, CIC committed $54 million in new equity investments and $5 million in new loans. |
| | • Continue to work toward achieving a representative workforce through new hires. | • 25 percent of new hires self-identified as members of designated equity groups. |
| | • Incorporate environmental considerations into investment decisions. | • Environmental considerations formed part of CIC's due diligence process for evaluating each new investment. |

## Financial Scorecard

| Objective | Measures and Targets | 2000 Results |
|---|---|---|
| Appropriate return to the General Revenue Fund (GRF) on the public's investment | • Declare a dividend to the GRF of $150 million on regular 2000 net earnings. | • 2000 dividend declaration was deferred by the shareholder. |
| | • Achieve 11 percent cash flow return on equity (i.e., dividend to the GRF as a percentage of average shareholder equity invested in CIC). | • 2000 dividend declaration and associated cash flow return on equity was deferred by the shareholder. |

## Innovation and Learning Scorecard

| Objective | Measures and Targets | 2000 Results |
|---|---|---|
| Quality workforce | • Complete development and implementation of job evaluation plan. | • CIC's Job Evaluation Plan received approval from the Compensation Review Committee to proceed with rollout to remaining positions in CIC. |
| Quality work environment | • Promote ongoing learning and skills upgrading by including employee training and development plans in the performance evaluation process. | • Training and development plans in place for all employees as part of performance evaluation process. |
| | • Maintain and enhance employee satisfaction and obtain feedback. | • All employees participated in an extensive leadership training course facilitated by The Pacific Institute. |
| | | • Action plan introduced to address areas of concern in employee survey. |

## 2000 Objectives and Accomplishments

CIC establishes business objectives each year. These objectives are based on the shareholder's expectations as set out in CIC's 2000 Balanced Scorecard and are aligned with the overall Crown Sector Strategic Plan.

These objectives are organized under the five key perspectives of the Balanced Scorecard: Leadership; Customers and Stakeholders; Public Purpose; Financial Performance; and, Innovation and Learning.

### Leadership Scorecard

**Crown Sector Strategic Goal** Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment.

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Effective leadership to achievement | • Achievement of key Balanced Scorecard objectives are aligned with CIC's shareholder direction | • Measured Performance Reporting and Discussion Policy for Annual Report to report demonstrated alignment of subsidiaries objectives to Crown Sector strategic direction |
| | • Crown specific public policies are incorporated in corporate business plans | • Public policy objectives, measures and targets incorporated into annual Corporate Business Plans and Balanced Scorecard performance targets |
| | • Provide three Crown Board governance training sessions | • Delivered three Board Member Training sessions and three Executive in Governance Lecture Series to the Boards of subsidiary Crown boards |

### Customer Scorecard

**Crown Sector Strategic Goal** Exceed customer expectations for products and services.

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Exceptional customer service | • Maintain and enhance service to CIC and Crown sector Boards of Directors and obtain feedback | • CIC Board completed a Customer Satisfaction evaluation survey that indicated overall satisfaction with CIC services, work products, relationships and results |
| | | • Met or exceeded expectations on all indicators measured in the 2000 subsidiary Crown Board Customer Satisfaction Survey |
| Good reporting to the public | • Hold 12 pension committee member meetings | • Held 14 pension committee member meetings |
| | • On time preparation of Annual Report and Semi Annual Financial Report | • Achieved |
| | • Significant transaction reporting to Crown Corporations Committee within 90 days | • Achieved (see page 40) |

## Public Purpose Scorecard

**Crown Sector Strategic Goal** Contribute to social, economic and environmental public policies.

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Efficient and effective delivery of the government's public purpose expectations | • Continue implementation of investment strategy | • Created Corporate Development Division to identify, evaluate and develop new investment opportunities. In 2000, CIC committed $24 million in new equity investments and $5 million in new loans. |
| | • Continue to work toward achieving a representative workforce through new hires | • 25 percent of new hires self-identified as members of designated equity groups |
| | • Incorporate environmental considerations into investment decisions | • Environmental considerations formed part of CIC's due diligence process for evaluating each new investment |

## Financial Scorecard

**Crown Sector Strategic Goal** Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment.

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Appropriate return to the General Revenue Fund (GRF) on the province's investment | • Declare a dividend to the GRF of $150 million on regular 2000 net earnings | • 2000 dividend declaration was deferred by the shareholder |
| | • Achieve 11 percent cash flow return on equity (i.e. dividend to the GRF as a percentage of average shareholder equity invested in CIC) | • 2000 dividend declaration and associated cash flow return on equity was deferred by the shareholder |

## Innovation and Learning Scorecard

**Crown Sector Strategic Goal** Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies.

| Objectives | Measures and Targets | 2000 Results |
|---|---|---|
| Diverse workforce | • Complete development and implementation of job evaluation plan | • CIC's Job Evaluation Plan received approval from the Compensation Review Committee to proceed with rollout to remaining positions in CIC |
| Dynamic work environment | • Promote ongoing learning and skills upgrading by including employee training and development plans in the performance evaluation process | • Training and development plans in place for all employees as part of performance evaluation process |
| | • Maintain and enhance employee satisfaction and obtain feedback | • All employees participated in an external leadership training course facilitated by The Banff Centre |
| | | • Action plan introduced to address areas of concern in employee survey |

## 2001 Performance Management Objectives, Measures and Targets

In 1999, CIC and its subsidiary Crowns jointly developed a Crown Sector Strategic Plan that provides long term direction to the Crown sector and facilitates long term planning. The Crown Sector Strategic Plan includes a guiding vision statement for the Crown sector, and details its primary business purposes, common business values, and strategic business objectives.

CIC has developed specific corporate objectives measures and targets in its business plan that are aligned with the shareholder's expectations from the perspectives of leadership, customers and stakeholders, public purpose, financial and, innovation and growth. These five perspectives form the foundation of CIC's Balanced Scorecard. In turn, CIC's Balanced Scorecard is aligned with the Crown Sector Strategic Plan. Together, the Crown Sector Strategic Plan and Balanced Scorecard form an integrated strategic performance management system.

The chart below details key elements of CIC's 2001 performance management objectives, measures, and targets in its Balanced Scorecard and their alignment with strategic goals in the Crown Sector Strategic Plan.

| Leadership Scorecard | |
|---|---|
| **Crown Sector Strategic Goal** | Strive to balance public accountability with each Crown corporation's need to operate in a commercially competitive environment. |
| **CIC's Strategic Goal** | Provide overall strategic leadership to subsidiary Crown corporations that respects corporate autonomy while striving to ensure appropriate corporate accountability. |
| **Objectives** | **Measures and Targets** |
| Effective leadership to subsidiaries | • Subsidiaries' Balanced Scorecard targets aligned with Crown Sector Strategic Plan<br>• Ensure specific public policy objectives are met [illegible] business plans<br>• Seek to implement improvements to [illegible] governance as required |
| Deliver highly competitive benefit and pension programs to Crown corporations | • Achieve a 90 percent level of [illegible] with benefit and pension programs [illegible] |

| Customers and Stakeholders Scorecard | |
|---|---|
| **Crown Sector Strategic Goal** | Exceed customer expectations for products and services. |
| **CIC's Strategic Goal** | Provide exceptional service and support to CIC customers, particularly to the Board of Directors, and communicate effectively with stakeholders. |
| **Objectives** | **Measures and Targets** |
| Exceptional customer service | • Attain an 80 percent satisfaction level for services provided to CIC Board, Crown boards and Crown executives |
| Transparency and accountability of reporting to the public by the Crown sector | • On-time preparation of Annual Report, Semi-Annual Financial Report<br>• Significant transaction reporting to Crown Corporations Committee within 90 days |

## Public Purpose Scorecard

| | |
|---|---|
| **Crown Sector Strategic Goal** | Contribute to social, economic and environmental public policies. |
| **CIC's Strategic Goal** | Apply CIC specific socio-economic policy measures consistent with the Crown Sector Strategic Plan. |

| Objectives | Measures and Targets |
|---|---|
| Efficient and effective delivery of the Government's public purpose expectations for the Crown sector | • Continue implementation of investment strategy to contribute to wealth and employment creation, with particular attention to agriculture and related industries, biotechnology, and information technology<br>• Continue to work towards representative workforce through new hires<br>• Incorporate environmental considerations into all investment decisions |

## Financial Scorecard

| | |
|---|---|
| **Crown Sector Strategic Goal** | Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment. |
| **CIC's Strategic Goal** | Optimize the return for CIC's investment portfolio and create self-sufficiency for CIC while supporting the government's fiscal objectives. |

| Objectives | Measures and Targets |
|---|---|
| Appropriate means of return to the owner on the public's investment | • Declare a dividend to the GRF of $200 million on regular 2001 net earnings<br>• Attain a shareholder cash flow return on equity of 11.5 percent via regular dividend on 2001 earnings |

## Innovation and Learning Scorecard

| | |
|---|---|
| **Crown Sector Strategic Goal** | Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies. |
| **CIC's Strategic Goal** | Develop and support the people who work at CIC. |

| Objectives | Measures and Targets |
|---|---|
| Quality workforce and work environment | • Complete and implement a Job Evaluation Plan<br>• Promote ongoing learning and skills upgrading by providing training and development plans to all employees annually and incorporate into performance evaluation process<br>• Ensure that employees have access to effective technology through ongoing review of hardware and software with upgrading/replacement as required<br>• Employee satisfaction level of 75 percent or higher |

## 2001 Performance Management Objectives, Measures and Targets

In 1999, CIC and its subsidiary Crowns jointly developed a Crown Sector Strategic Plan that provides long-term direction to the Crown sector and facilitates long-term planning. The Crown Sector Strategic Plan includes a guiding vision statement for the Crown sector, and details its primary business purposes, common business values, and strategic business objectives.

CIC has developed specific corporate objectives measures and targets in its business plan that are aligned with the shareholder's expectations from the perspectives of leadership, customers and stakeholders, public purpose, financial and, innovation and growth. These five perspectives form the foundation of CIC's Balanced Scorecard. In turn, CIC's Balanced Scorecard is aligned with the Crown Sector Strategic Plan. Together, the Crown Sector Strategic Plan and Balanced Scorecard form an integrated strategic performance management system.

The chart below details key elements of CIC's 2001 performance management objectives, measures, and targets in its Balanced Scorecard and their alignment with strategic goals in the Crown Sector Strategic Plan.

### Leadership Scorecard

| Objectives | Measures and Targets |
|---|---|
| Effective leadership to subsidiaries | • Subsidiaries' Balanced Scorecard targets aligned with Crown Sector Strategic Plan.<br>• Ensure specific public policy objectives are set forth in all Crown business plans.<br>• Seek to implement improvements in Crown sector governance as required. |
| Deliver highly competitive benefit and pension programs to Saskatchewan corporations | • Achieve a 90 percent retention rate of current participants and expand non-government client base. |

### Customers and Stakeholders Scorecard

| Objectives | Measures and Targets |
|---|---|
| Exceptional customer service | • Attain an 80 percent satisfaction level for services provided to CIC Board, Crown boards and Crown executives. |
| Transparency and accountability of reporting to the public by the Crown sector | • On-time preparation of Annual Report, Semi-Annual Financial Report.<br>• Significant transaction reporting to Crown Corporations Committee within 90 days. |

## Public Purpose Scorecard

| Objectives | Measures and Targets |
|---|---|
| Efficient and effective delivery of the Government's public purpose expectations for the Crown sector | • Continue implementation of investment strategy to contribute to wealth and employment creation, with particular attention to agriculture and related industries; biotechnology; and, information technology.<br>• Continue to work towards representative workforce through new hires.<br>• Incorporate environmental considerations into all investment decisions. |

## Financial Scorecard

| Objectives | Measures and Targets |
|---|---|
| Appropriate financial return to the GRF on the public's investment | • Declare a dividend to the GRF of $200 million on regular 2001 net earnings.<br>• Attain a shareholder cash flow return on equity of 11.5 percent via regular dividend on 2001 earnings. |

## Innovation and Learning Scorecard

| Objectives | Measures and Targets |
|---|---|
| Quality workforce and work environment | • Complete and implement a Job Evaluation Plan.<br>• Promote ongoing learning and skills upgrading by providing training and development plans to all employees annually and incorporate into performance evaluation process.<br>• Ensure that employees have access to effective technology through ongoing review of hardware and software with upgrading/replacement as required.<br>• Employee satisfaction level of 75 percent or higher. |

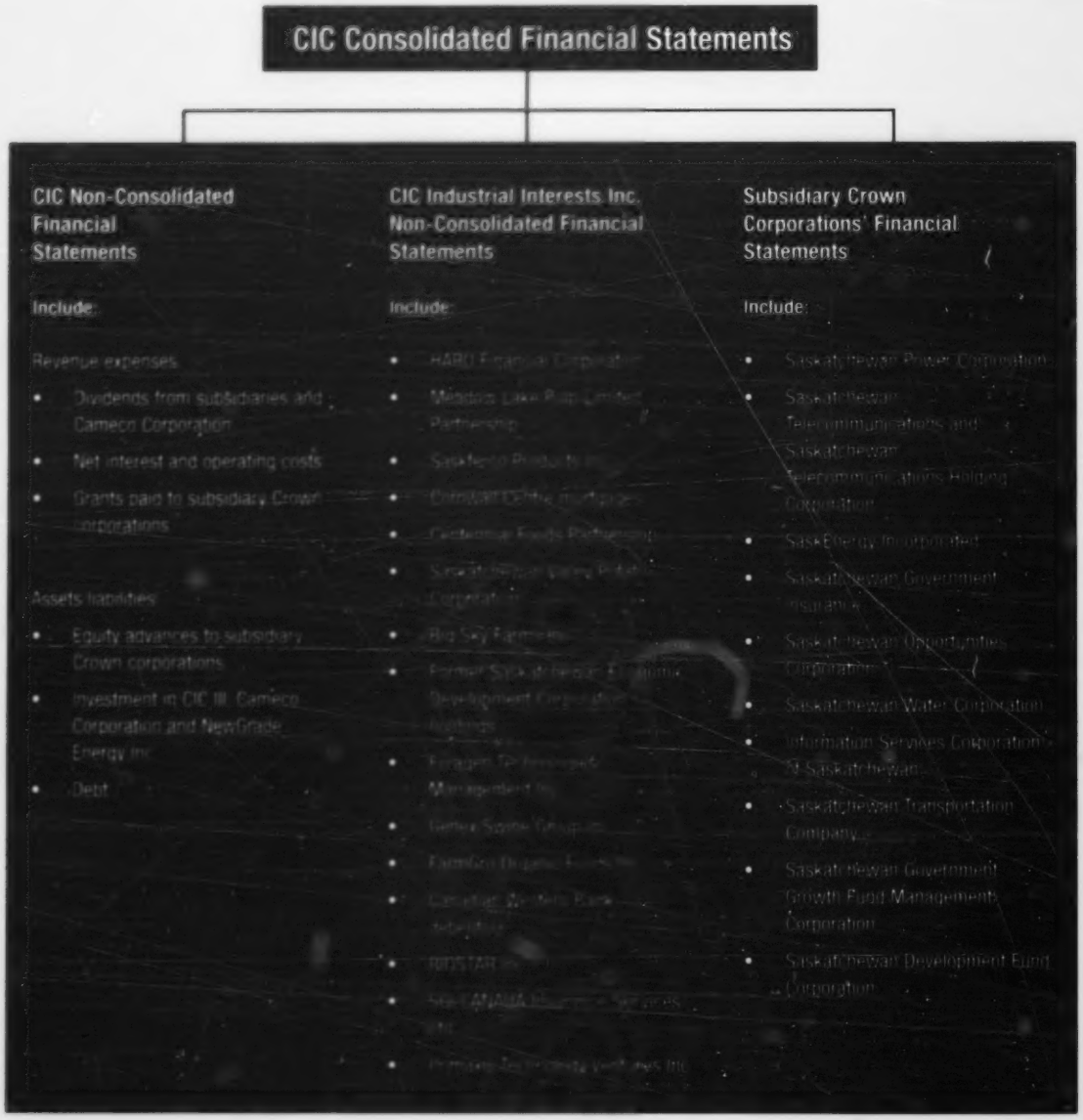
## Financial Statement Reporting Structure

CIC's 2000 Annual Report contains three sets of financial statements.

- **CIC Consolidated financial statements**
  These show CIC's results consolidated with those of its subsidiaries.

- **CIC Non-Consolidated financial statements**
  These show the results of activities of CIC as the holding company.

- **CIC Industrial Interests Inc. (CIC III) Non-Consolidated financial statements**
  These show the results of activities that CIC manages through its subsidiary, CIC III.


CIC Consolidated Financial Statements
CIC Non-Consolidated Financial Statements
Include:
Revenue expenses
• Dividends from subsidiaries and Cameco Corporation
• Net interest and operating costs
• Grants paid to subsidiary Crown corporations
Assets liabilities
• Equity advances to subsidiary Crown corporations
• Investment in CIC III, Cameco Corporation and NewGrade Energy Inc.
• Debt
CIC Industrial Interests Inc. Non-Consolidated Financial Statements
Include:
Subsidiary Crown Corporations' Financial Statements
Include:
• Saskatchewan Power Corporation
• Saskatchewan Telecommunications and Saskatchewan Telecommunications Holding Corporation
• SaskEnergy Incorporated
• Saskatchewan Government Insurance
• Saskatchewan Opportunities Corporation
• Saskatchewan Water Corporation
• Information Services Corporation of Saskatchewan
• Saskatchewan Transportation Company
• Saskatchewan Government Growth Fund Management Corporation
• Saskatchewan Development Fund Corporation

# Management's Discussion and Analysis

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC or through its wholly-owned subsidiaries.

Management's Discussion and Analysis (MD&A) of CIC's consolidated 2000 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release.

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC has the following lines of business:

| | | |
|---|---|---|
| **Utilities:** | | |
| Electricity | Saskatchewan Power Corporation (SaskPower) | wholly-owned subsidiary |
| [redacted] | [redacted] | [redacted] |
| Natural Gas | SaskEnergy Incorporated (SaskEnergy) | wholly-owned subsidiary |
| [redacted] | [redacted] | [redacted] |
| Land & Property Registration Services | Information Services Corporation of Saskatchewan (ISC) | wholly-owned subsidiary |
| [redacted] | | |
| [redacted] | [redacted] | [redacted] |
| Life | HARO Financial Corporation (HARO) via its subsidiary, Crown Life Insurance Company (Crown Life) | non-voting equity interest and loans |
| [redacted] | | |
| [redacted] | [redacted] | [redacted] |
| Forestry | Meadow Lake Pulp Limited Partnership (MLPLP) | 50 percent partnership interest and loans |
| [redacted] | [redacted] | [redacted] |
| Mining | Cameco Corporation (Cameco) | 9.8 percent equity interest |
| [redacted] | [redacted] | [redacted] |
| | [redacted] | [redacted] |
| | [redacted] | [redacted] |
| **Economic Growth:** | | |
| Infrastructure and Small Business Investment | Saskatchewan Opportunities Corporation (SOCO) | wholly-owned subsidiary |
| | Foragen Technologies Management Inc. | 21.4 percent joint venture interest |
| [redacted] | [redacted] | [redacted] |
| **Transportation:** | | |
| Passenger and Freight Transportation | Saskatchewan Transportation Company (STC) | wholly-owned subsidiary |

[1] On March 31, 2000 CIC sold it's 100 percent ownership interest in WCBP.

Profiles of each subsidiary Crown corporation and major investment are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

## Management's Discussion and Analysis

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures, partnerships and loans, held either directly by CIC or through its wholly-owned subsidiaries.

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For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity.

CIC has the following lines of business:

| | | |
|---|---|---|
| **Utilities:** | | |
| Electricity | Saskatchewan Power Corporation (SaskPower) | wholly-owned subsidiary |
| **Telecommunications** | **Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)** | **wholly-owned subsidiary** |
| Natural Gas | SaskEnergy Incorporated (SaskEnergy) | wholly-owned subsidiary |
| **Water Management** | **Saskatchewan Water Corporation (Sask Water)** | **wholly-owned subsidiary** |
| Land & Property Registration Services | Information Services Corporation of Saskatchewan (ISC) | wholly-owned subsidiary |
| **Insurance:** | | |
| **Property and Casualty** | **Saskatchewan Government Insurance (SGI)** | **wholly-owned subsidiary** |
| Life | HARO Financial Corporation (HARO) via its subsidiary, Crown Life Insurance Company (Crown Life) | non-voting equity interest and loans |
| **Commodity Based Investments:** | | |
| **Heavy Oil** | **NewGrade Energy Inc. (NewGrade)** | **50 percent equity interest and loans** |
| Forestry | Meadow Lake Pulp Limited Partnership (MLPLP) | 50 percent partnership interest and loans |
| **Fertilizer** | **Saskferco Products Inc. (Saskferco)** | **49 percent equity interest** |
| Mining | Cameco Corporation (Cameco) | 9.8 percent equity interest |
| **Agricultural/Food Processing** | **Saskatchewan Valley Potato Corporation (SVPC)** | **100 percent equity interest** |
| | **Big Sky Farms Inc. (Big Sky)** | **40.1 percent equity interest** |
| | **Centennial Foods Partnership (Centennial)** | **35 percent partnership interest** |
| | **Western Canadian Beef Packers Inc. (WCBP)*** | - |
| **Economic Growth:** | | |
| Infrastructure and Small Business Investment | Saskatchewan Opportunities Corporation (SOCO) | wholly-owned subsidiary |
| | Foragen Technologies Management Inc. | 21.4 percent joint venture interest |
| **Immigrant Investor Program** | **Saskatchewan Government Growth Fund Management Corporation (SGGF)** | **wholly-owned subsidiary** |
| **Transportation:** | | |
| Passenger and Freight Transportation | Saskatchewan Transportation Company (STC) | wholly-owned subsidiary |

* On March 31, 2000 CIC sold it's 100 percent ownership interest in WCBP.

Profiles of each subsidiary Crown corporation and major investment are included in this section. Each subsidiary Crown corporation prepares an annual report which is tabled in the Legislative Assembly. For additional information please refer to these annual reports.

## Results of Operations

Earnings for the year were $293.2 million (1999 - $215.8 million). Excluding non-recurring items of $19.1 million (1999 - $63.9 million), earnings from ongoing operations were $274.1 million (1999 - $151.9 million). Non-recurring items in 2000 consisted of gains on the sale of shares in Austar United Communications Limited ($13.7 million), Regional Cable TV (Western) Inc. ($7.7 million), and a gain on the deemed disposition of Soft Tracks Enterprises Ltd. ($1.7 million), partly offset by a $3.6 million loss on the sale of Western Canadian Beef Packers Inc. Non-recurring items in 1999 totalled $63.9 million and consisted of gains on the sale of Saskfor MacMillan Limited Partnership ($30.2 million) and Saturn Communications Limited ($39.0 million), partly offset by $5.2 million in losses as a result of the bankruptcy of the Lake Diefenbaker Potato Corporation.

Revenues were $3,229.7 million (1999 - $2,818.1 million), an increase of $411.6 million. The increase was mostly due to a $391.5 million increase in operating revenues and a $15.3 million increase in investment earnings.

Operating revenues were $3,125.3 million (1999 - $2,733.8 million). The $391.5 million increase was mainly due to higher sales by commodity-based investments and higher utility sales. Sales by commodity-based investments were $577.7 million (1999 - $476.9 million), an increase of $100.8 million. The increase is primarily due to $240.6 million in higher sales by NewGrade, partly offset by a $171.6 million reduction in sales revenues by WCBP, due to its sale in early 2000. Utility sales were $2,355.5 million (1999 - $2,027.6 million). The $327.9 million increase was primarily due to higher sales revenues by SaskPower, SaskEnergy, and SaskTel.

Investment earnings were $65.1 million (1999 - $49.8 million). The $15.3 million increase mainly reflects increased earnings from SGI's investment portfolio and from Saskferco.

Expenses were $2,955.6 million (1999 - $2,666.1 million), an increase of $289.5 million. Operating costs increased by $289.8 million. The primary factors were higher fuel and purchased power costs for SaskPower, higher natural gas costs for SaskEnergy and higher natural gas and heavy oil feedstock costs for NewGrade. Interest costs were $293.1 million (1999 - $317.4 million). The $24.3 million decrease was primarily due to higher sinking fund earnings and the refinancing of maturing debt at lower rates. Amortization increased by $10.8 million.

CIC spent $750.7 million on new investment and capital acquisitions (1999 - $753.9 million). The $3.2 million decrease reflects a $20.2 million decrease in investment activity partly offset by a $17.0 million increase in capital spending.

Debt at year end was $3,129.7 million (1999 - $3,094.6 million), an increase of $35.1 million. The increase in debt was largely attributable to higher debt at SaskPower ($34.7 million), SOCO ($29.1 million), ISC ($27.0 million), SVPC ($5.4 million) and SaskTel ($5.0 million), partly offset by reductions at Sask Water ($21.3 million), MLPLP ($17.0 million), CIC's non-consolidated debt (i.e., debt held by the holding company) of $13.3 million, SaskEnergy ($13.1 million) and NewGrade ($2.9 million).

## Liquidity and Capital Resources

### Cash Flow Highlights

(millions of dollars)

| | 2000 | 1999 |
|---|---|---|
| Cash from Operations | $ 556.8 | $ 560.4 |
| Cash used in Investing Activities | (446.2) | (254.3) |
| Dividends Paid | (125.0) | (150.0) |
| Debt Proceeds Received | 113.1 | 184.2 |
| Debt Repaid | (81.4) | (367.7) |
| Equity Advances Repaid | - | (42.5) |
| Other Financing Activities | 23.6 | 21.3 |
| Increase (Decrease) in Cash | $ 40.9 | $ (48.6) |

### Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has ample access to capital markets for anticipated borrowing requirements.

**Province of Saskatchewan Credit Ratings on Long Term Debt**
**as at December 31, 2000**

| | |
|---|---|
| Moody's Investor Service | A1 |
| Standard & Poor's | A+ |
| Dominion Bond Rating Service | A |
| Fitch IBCA | A+ |

## Liquidity and Capital Resources

### Cash Flow Highlights

(millions of dollars)

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as at December 31, 2000

| | |
|---|---|
| Moody's Investor Service | A1 |
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| Fitch IBCA | A+ |

### Operating, Investing and Financing Activities

Cash from operations was $556.8 million (1999 - $560.4 million). The $3.6 million decrease was primarily due to an increase in non-cash working capital partly offset by higher earnings from ongoing operations.

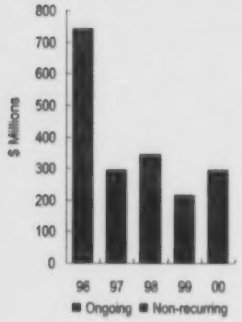
Cash used in investing activities was $446.2 million (1999 - $254.3 million). The $191.9 million increase was primarily due to a decrease in the collection of investments, partly offset by decreased investment activity in 2000. In 1999, asset collections were unusually high due to the $149.5 million repayment of a HARO debenture, the collection of the $155.0 million second instalment from the 1998 sale of the interest in Bi-Provincial, and $91.8 million from the sale of the interest in SMLP.

Cash used in financing activities was $69.7 million (1999 - $354.7 million). The $285.0 million decrease mainly reflects lower debt repayments of $212.8 million, lower equity repayments of $42.5 million and lower dividends to the GRF of $25.0 million. Lower equity repayments and dividends to the GRF reflect the impact of the receipt in 1999 of the second instalment of proceeds from the sale of the interest in Bi-Provincial.

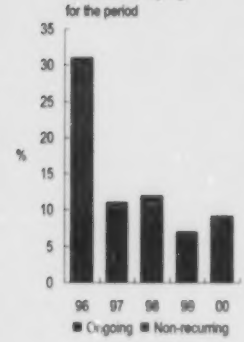
### Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances.

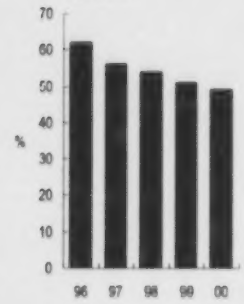
**Consolidated Earnings**
for the period



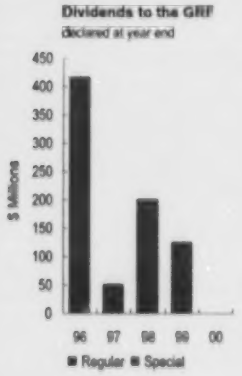

**Consolidated Return on Equity**
for the period




**Consolidated Debt Ratio**
at year end




**Dividends to the GRF**
declared at year end




## Consolidated Financial Summary

Over the past five years, CIC has realized significant gains from the sale of major investments such as Saturn Communications Limited (1999), SMLP (1999), Bi-Provincial Upgrader (1998), Wascana Energy Inc. (1997) and Cameco (1996).

In 2000, non-recurring items included gains on the sale of shares in Austar United Communications Limited ($13.7 million), Regional Cable TV (Western) Inc. ($7.7 million) and the gain on the deemed disposition of Soft Tracks Enterprises Ltd. ($1.7 million), partly offset by a $3.6 million loss on the sale of Western Canadian Beef Packers Inc.

Return on equity is the ratio of earnings to the average amount of shareholder's equity invested.

The return on equity increased from seven percent in 1999 to nine percent in 2000, primarily due to higher earnings from the major subsidiary Crowns and higher overall earnings from commodity-based investments partially offset by lower gains on the sale of investments.

The debt ratio is the ratio of consolidated debt to debt plus equity.

Debt reduction of $1,038.6 million since 1996 has significantly improved the consolidated financial position.

The debt ratio has declined from 62 percent in 1996 to 49 percent in 2000.

The shareholder deferred the declaration of CIC's $150 million dividend to the GRF for 2000. In 2001, CIC expects to declare a $200 million dividend on regular earnings to the GRF.

In 1998, proceeds received from the Bi-Provincial sale enabled CIC to declare a special dividend of $100.0 million to the GRF, and the repayment of $85.0 million in equity advances from the GRF. The last special dividend was $365.7 million declared in 1996 in relation to the sale of 10.1 million Cameco shares.

Since 1996, including special dividends and equity repayments, CIC has provided an aggregate return of $875.7 million to the GRF to support the Government's fiscal objectives.

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## Segmented Information

(millions of dollars)

| | Utilities | | Commodity Based | | Insurance | | Transportation | | Economic Growth | | Other & Adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income Statement for year ended December 31** | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| Sales and other revenue | 2,459 | 2,165 | 584 | 478 | 200 | 184 | 14 | 13 | 27 | 21 | (54) | (43) | 3,230 | 2,818 |
| Operating expenses & other | 1,975 | 1,722 | 514 | 465 | 173 | 174 | 16 | 16 | 29 | 17 | (46) | (46) | 2,661 | 2,348 |
| Debt costs | 254 | 269 | 45 | 44 | 0 | 0 | 0 | 0 | 6 | 5 | (12) | 0 | 293 | 318 |
| Earnings before the following | 230 | 174 | 25 | (31) | 27 | 10 | (2) | (3) | (8) | (1) | 4 | 3 | 276 | 152 |
| Non-recurring items | 24 | 34 | (1) | 0 | 0 | 0 | 0 | 2 | 0 | 0 | (6) | 28 | 17 | 64 |
| **Net earnings** | 254 | 208 | 24 | (31) | 27 | 10 | (2) | (1) | (8) | (1) | (2) | 31 | 293 | 216 |
| **Balance Sheet as at December 31** | | | | | | | | | | | | | | |
| Current assets | 652 | 484 | 134 | 110 | 94 | 106 | 3 | 4 | 9 | 9 | 225 | 202 | 1,117 | 915 |
| Investments & other | 416 | 358 | 224 | 215 | 505 | 503 | 0 | 0 | 32 | 33 | 229 | 227 | 1,406 | 1,336 |
| Capital assets | 4,884 | 4,863 | 174 | 169 | 14 | 17 | 15 | 13 | 129 | 106 | (106) | (99) | 5,110 | 5,069 |
| | 5,952 | 5,705 | 532 | 494 | 613 | 626 | 18 | 17 | 170 | 148 | 348 | 330 | 7,633 | 7,320 |
| Current liabilities | 714 | 581 | 162 | 197 | 390 | 391 | 2 | 2 | 37 | 41 | (338) | (235) | 967 | 977 |
| Long-term debt | 2,617 | 2,595 | 392 | 381 | 0 | 0 | 0 | 0 | 119 | 85 | (212) | (160) | 2,916 | 2,901 |
| Other | 393 | 380 | 0 | 0 | 125 | 122 | 4 | 2 | 0 | 0 | (4) | 0 | 518 | 504 |
| | 3,724 | 3,556 | 554 | 578 | 515 | 513 | 6 | 4 | 156 | 126 | (554) | (395) | 4,401 | 4,382 |
| Province's equity | 2,228 | 2,149 | (22) | (84) | 98 | 113 | 12 | 13 | 14 | 22 | 902 | 725 | 3,232 | 2,938 |
| | 5,952 | 5,705 | 532 | 494 | 613 | 626 | 18 | 17 | 170 | 148 | 348 | 330 | 7,633 | 7,320 |
| **Statement of Cash Flows for the year ended December 31** | | | | | | | | | | | | | | |
| Operating activities | 567 | 525 | 55 | (5) | 20 | 18 | 0 | 1 | 4 | 8 | (89) | 13 | 557 | 560 |
| Investing activities | | | | | | | | | | | | | | |
| Capital asset purchases | (402) | (401) | (3) | (2) | 0 | 0 | (3) | (2) | (27) | (23) | 1 | 11 | (434) | (417) |
| Other | (16) | 4 | 4 | (2) | 27 | (8) | 0 | 0 | (8) | (4) | (19) | 173 | (12) | 163 |
| | (418) | (397) | 1 | (4) | 27 | (8) | (3) | (2) | (35) | (27) | (18) | 184 | (446) | (254) |
| Financing activities | | | | | | | | | | | | | | |
| Debt proceeds | 61 | 110 | 1 | 3 | 0 | 0 | 0 | 0 | 29 | 17 | 22 | 54 | 113 | 184 |
| Debt repayments | (45) | (52) | (46) | (33) | 0 | 0 | 0 | 0 | 0 | 0 | 9 | (209) | (82) | (294) |
| Dividends paid to CIC | (165) | (138) | 0 | 0 | (40) | (12) | 0 | 0 | 0 | 0 | 205 | 150 | 0 | 0 |
| Dividends paid to GRF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (125) | (150) | (125) | (150) |
| Other | 35 | (41) | 5 | (1) | 0 | 0 | 2 | 2 | (2) | (1) | (16) | (54) | 24 | (95) |
| | (114) | (121) | (40) | (31) | (40) | (12) | 2 | 2 | 27 | 16 | 95 | (209) | (70) | (355) |
| Change in Cash | 35 | 7 | 16 | (40) | 7 | (2) | (1) | 1 | (4) | (3) | (12) | (12) | 41 | (49) |

## Segmented Information

(millions of dollars)

| | Utilities | | Commodity Based | | Insurance | | Transportation | | Economic Growth | | Other & Adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income Statement for year ended December 31** | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| Sales and other revenue | [illegible] | 2,165 | [illegible] | 478 | [illegible] | 184 | [illegible] | 13 | [illegible] | 21 | [illegible] | (43) | [illegible] | 2,818 |
| Operating expenses & other | [illegible] | 1,722 | [illegible] | 465 | [illegible] | 174 | [illegible] | 16 | [illegible] | 17 | [illegible] | (46) | [illegible] | 2,348 |
| Debt costs | [illegible] | 269 | [illegible] | 44 | [illegible] | 0 | [illegible] | 0 | [illegible] | 5 | [illegible] | 0 | [illegible] | 318 |
| Earnings before the following | [illegible] | 174 | [illegible] | (31) | [illegible] | 10 | [illegible] | (3) | [illegible] | (1) | [illegible] | 3 | [illegible] | 152 |
| Non-recurring items | [illegible] | 34 | [illegible] | 0 | [illegible] | 0 | [illegible] | 2 | [illegible] | 0 | [illegible] | 28 | [illegible] | 64 |
| **Net earnings** | [illegible] | 208 | [illegible] | (31) | [illegible] | 10 | [illegible] | (1) | [illegible] | (1) | [illegible] | 31 | [illegible] | 216 |
| **Balance Sheet as at December 31** | | | | | | | | | | | | | | |
| Current assets | [illegible] | 484 | [illegible] | 110 | [illegible] | 106 | [illegible] | 4 | [illegible] | 9 | [illegible] | 202 | [illegible] | 915 |
| Investments & other | [illegible] | 358 | [illegible] | 215 | [illegible] | 503 | [illegible] | 0 | [illegible] | 33 | [illegible] | 227 | [illegible] | 1,336 |
| Capital assets | [illegible] | 4,863 | [illegible] | 169 | [illegible] | 17 | [illegible] | 13 | [illegible] | 106 | [illegible] | (99) | [illegible] | 5,069 |
| | [illegible] | 5,705 | [illegible] | 494 | [illegible] | 626 | [illegible] | 17 | [illegible] | 148 | [illegible] | 330 | [illegible] | 7,320 |
| Current liabilities | [illegible] | 581 | [illegible] | 197 | [illegible] | 391 | [illegible] | 2 | [illegible] | 41 | [illegible] | (235) | [illegible] | 977 |
| Long-term debt | [illegible] | 2,595 | [illegible] | 381 | [illegible] | 0 | [illegible] | 0 | [illegible] | 85 | [illegible] | (160) | [illegible] | 2,901 |
| Other | [illegible] | 380 | [illegible] | 0 | [illegible] | 122 | [illegible] | 2 | [illegible] | 0 | [illegible] | 0 | [illegible] | 504 |
| | [illegible] | 3,556 | [illegible] | 578 | [illegible] | 513 | [illegible] | 4 | [illegible] | 126 | [illegible] | (395) | [illegible] | 4,382 |
| Province's equity | [illegible] | 2,149 | [illegible] | (84) | [illegible] | 113 | [illegible] | 13 | [illegible] | 22 | [illegible] | 725 | [illegible] | 2,938 |
| | [illegible] | 5,705 | [illegible] | 494 | [illegible] | 626 | [illegible] | 17 | [illegible] | 148 | [illegible] | 330 | [illegible] | 7,320 |
| **Statement of Cash Flows for the year ended December 31** | | | | | | | | | | | | | | |
| Operating activities | [illegible] | 525 | [illegible] | (5) | [illegible] | 18 | [illegible] | 1 | [illegible] | 8 | [illegible] | 13 | [illegible] | 560 |
| Investing activities | | | | | | | | | | | | | | |
| Capital asset purchases | [illegible] | (401) | [illegible] | (2) | [illegible] | 0 | [illegible] | (2) | [illegible] | (23) | [illegible] | 11 | [illegible] | (417) |
| Other | [illegible] | 4 | [illegible] | (2) | [illegible] | (8) | [illegible] | 0 | [illegible] | (4) | [illegible] | 173 | [illegible] | 163 |
| | [illegible] | (397) | [illegible] | (4) | [illegible] | (8) | [illegible] | (2) | [illegible] | (27) | [illegible] | 184 | [illegible] | (254) |
| Financing activities | | | | | | | | | | | | | | |
| Debt proceeds | [illegible] | 110 | [illegible] | 3 | [illegible] | 0 | [illegible] | 0 | [illegible] | 17 | [illegible] | 54 | [illegible] | 184 |
| Debt repayments | [illegible] | (52) | [illegible] | (33) | [illegible] | 0 | [illegible] | 0 | [illegible] | 0 | [illegible] | (209) | [illegible] | (294) |
| Dividends paid to CIC | [illegible] | (138) | [illegible] | 0 | [illegible] | (12) | [illegible] | 0 | [illegible] | 0 | [illegible] | 150 | [illegible] | 0 |
| Dividends paid to GRF | [illegible] | 0 | [illegible] | 0 | [illegible] | 0 | [illegible] | 0 | [illegible] | 0 | [illegible] | (150) | [illegible] | (150) |
| Other | [illegible] | (41) | [illegible] | (1) | [illegible] | 0 | [illegible] | 2 | [illegible] | (1) | [illegible] | (54) | [illegible] | (95) |
| | [illegible] | (121) | [illegible] | (31) | [illegible] | (12) | [illegible] | 2 | [illegible] | 16 | [illegible] | (209) | [illegible] | (355) |
| Change in Cash | [illegible] | 7 | [illegible] | (40) | [illegible] | (2) | [illegible] | 1 | [illegible] | (3) | [illegible] | (12) | [illegible] | (49) |

## Five-Year Operational Review

**At corporate fiscal year end**

| | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|
| **SaskPower** | | | | | |
| Number of permanent full time employees | 2,192 | 2,120 | 2,030 | 1,994 | 1,986 |
| Total customers | 431,360 | 428,027 | 426,676 | 423,678 | 420,147 |
| Avg. annual usage/residential customer (kilowatt hours) | 7,784 | 7,793 | 7,662 | 8,520 | 8,802 |
| Power lines (kilometres of poles) | 151,247 | 150,656 | 150,001 | 149,421 | 148,590 |
| **SaskTel** | | | | | |
| Number of permanent full time employees | 3,851 | 4,254 | 4,227 | 3,972 | 3,792 |
| Operating revenue ($thousands) | 777,672 | 753,878 | 763,978 | 728,037 | 696,897 |
| Originated minutes (thousands) | 1,406,739 | 1,273,545 | 932,745 | 969,533 | 1,008,200 |
| Access services (wireline/wireless) | 856,846 | 831,724 | 801,957 | 762,547 | 712,086 |
| Cumulative percentage SaskTel has lowered average per minute long distance charges since 1990 | -77% | -72% | -59% | -53% | -50% |
| **SaskEnergy** | | | | | |
| Number of permanent full time employees | 812 | 809 | 816 | 806 | 803 |
| Total customers | 320,340 | 317,219 | 313,425 | 309,171 | 304,575 |
| Residential annual average usage (cubic metres) | 3,497 | 3,316 | 3,255 | 3,504 | 4,328 |
| Distribution pipelines (km) | 64,814 | 64,169 | 63,043 | 61,831 | 60,746 |
| TransGas pipelines (km) | 13,857 | 13,733 | 13,635 | 13,692 | 13,641 |
| Compressor horsepower (hp) | 104,375 | 104,375 | 104,375 | 104,375 | 104,375 |
| Peak day gas flows (billion cubic feet) | 1.31 | 1.23 | 1.32 | 1.36 | 1.46 |
| **SGI** | | | | | |
| Number of full time employees | 1,403 | 1,402 | 1,393 | 1,372 | 1,337 |
| Premiums written ($thousands) | 165,523 | 164,183 | 165,086 | 156,545 | 148,318 |
| Number of policies in force | 422,770 | 426,964 | 425,081 | 414,045 | 408,864 |
| Number of claims | 69,014 | 67,720 | 61,492 | 65,140 | 67,590 |
| **MLPLP** | | | | | |
| Number of employees | 191 | 195 | 196 | 201 | 203 |
| Safety (lost time accidents) | 1 | 3 | 1 | 0 | 2 |
| Value of exports ($millions) | 191 | 146 | 98 | 100 | 95 |
| Volume of trees delivered (cubic metres) | 852,404 | 986,147 | 688,677 | 770,499 | 545,182 |
| **Saskferco** | | | | | |
| Number of employees | 132 | 133 | 138 | 136 | 131 |
| Safety (lost time accidents) | 0 | 0 | 0 | 1 | 2 |
| Natural gas consumption (millions of gigajoules) | 24.7 | 24 | 22 | 21 | 20 |
| **NewGrade** | | | | | |
| Number of permanent employees | 183 | 181 | 177 | 175 | 178 |
| Average plantgate differentials ($Cdn/barrel) | 8.35 | 5.07 | 6.87 | 7.46 | 5.19 |
| Crude oil processed (barrels per day) | 58,300 | 51,300 | 55,500 | 50,100 | 54,200 |
| Outstanding third party debt ($millions) | 168 | 204 | 252 | 292 | 340 |

## SaskPower

SaskPower is the principal supplier of electricity in Saskatchewan. Founded as the Saskatchewan Power Commission in 1929, its mandate is to deliver safe, reliable, cost-effective power to the residents of Saskatchewan. SaskPower was incorporated as a provincial Crown corporation in 1950 and is governed by the **Power Corporation Act**.

SaskPower operates three coal-fired stations, seven hydro stations and four natural gas stations, generating a net capacity of 2,889 Megawatts (MW), and maintains more than 150,000 kilometres of power lines.

SaskPower's 2,200 employees work in three business units (Customer Services, Power Production, and Transmission and Distribution), five corporate groups (Corporate and Financial Services, Corporate Information and Technology, Corporate Planning and Regulatory Affairs, Human Resources, and President's Office) and two subsidiaries (SaskPower International and SaskPower Shand Greenhouse).

- Earnings were $125.7 million (1999 - $113.9 million).
- Revenues of $1,108.6 million (1999 - $982.6 million) increased largely due to record high export sales and strong sales to key accounts and oilfield customers.
- Operating expenses of $837.2 million (1999 - $708.1 million) increased largely due to higher fuel and purchased power costs.
- Debt rose by $34.7 million to $1,570.9 million (1999 - $1,536.2 million).
- Finance charges declined to $145.7 million (1999 - $160.6 million).
- Capital spending of $210.0 million (1999 - $182.2 million) was for new generation projects (Queen Elizabeth Power Station repowering project and Cory cogeneration project), connecting more customers to the SaskPower grid, and improving and extending the life of existing generation plants and transmission and distribution infrastructure.

## SaskTel

SaskTel is Saskatchewan's leading full service communications company, providing voice, data, Internet, wireless, text and messaging services over a fully digital network. SaskTel has 3,851 permanent full time employees. Saskatchewan Telecommunications is the major operating subsidiary.

Furthermore, SaskTel also maintains investments in companies providing growth through diversification. Through Saskatchewan Telecommunications International Inc., a wholly-owned subsidiary, international project management, design, and consulting services are provided. DirectWest Publishing Partnership is the leading provider of directory advertising in Saskatchewan and offers a variety of related multimedia products. SecurTek Monitoring Solutions Inc. provides real-time event and security detection, monitoring and dispatch to residential and business customers.

Through interconnection agreements with other Canadian telecommunications companies, SaskTel is part of the national and global communications network.

- Earnings were $97.0 million (1999 - $67.5 million).
- Revenues of $777.7 million (1999 - $753.9 million) were higher due to increased Internet, cellular and local service.
- SaskTel retained about 91 percent of the Saskatchewan long distance market.
- Operating expenses, excluding restructuring and other charges, were $656.4 million (1999 - $653.9 million). Restructuring and other charges of $10.8 million related to the employee voluntary separation program, adjustments to prior years' early retirement programs and a write-down of infrastructure assets.
- Debt was $414.0 million (1999 - $409.0 million).
- Interest expense was $37.9 million (1999 - $36.0 million).
- SaskTel sold 4,109,000 common shares in Austar United Communications Limited (Austar) for a gain on sale of $13.7 million.
- SaskTel divested its 29.9 percent interest in Regional Cable TV (Western) Inc. and recorded a non-cash gain of $7.7 million. As consideration, SaskTel received a 7.6 percent interest in Regional Cable Systems Inc., which provides cable television and telecommunication services in seven provinces.
- Capital spending of $107.6 million (1999 - $155.3 million) decreased primarily due to reductions in programs relating to the delivery of legacy services. Spending continued to be focussed on growth initiatives such as its Digital PCS and analog cellular networks.

- Earnings are expected to be lower as higher fuel and purchased power costs offset revenue growth.
- Capital spending is expected to increase significantly to maintain and enhance existing transmission and distribution systems and to add required new generation capacity.
- On July 1, 2001, the Open Access Transmission Tariff will result in SaskPower opening its transmission system to power marketers and suppliers and in turn being able to access new export opportunities.
- In December 2000, SaskPower applied for an average rate increase of 3.25 percent. The overall revenue impact would be about $31 million. The Saskatchewan Rate Review Panel will provide its recommendations to the Minister of CIC.

- Weather conditions and water flow levels.
- Fuel and purchased power costs.
- Plant maintenance costs.
- Competition from other energy sources.
- Ability to adjust rates to levels closer to the cost of serving various customers (rate rebalancing).
- Heavy dependence on a few major accounts and export markets for a significant portion of revenues.
- Vulnerability to loss of major accounts from cogeneration, self-generation or relocation.

- Total assets of $3.3 billion (1999 - 3.2 billion).
- Debt ratio (debt as a percentage of debt and equity) of 56 percent (1999 - 56 percent).
- Return on equity (earnings as a percentage of average equity) of 10 percent (1999 - 10 percent).
- Dividend declared to CIC of $69.1 million (1999 - $62.7 million).

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- Competition continues to erode revenues from traditional services, and competitive pressures within the wireless industry continue to develop. This environment requires SaskTel to seek out offsetting growth and diversification opportunities in new and existing markets.
- SaskTel will also continue to focus on cost savings through the implementation of operational efficiency initiatives.

- Ability to develop new products and services to support SaskTel's growth and diversification initiatives, particularly in Internet protocol networking, broadband, new media, and e-business markets, the expansion of the digital network and wireless data applications, and securing a Digital Interactive Video broadcast licence.
- Ability to realize cost savings from process improvements while maintaining a high quality of customer service.
- Canadian Radio-television and Telecommunications Commission (CRTC) decisions on contribution reform, price caps and other issues.
- Competitive pressures in traditional services and in the wireless industry.

- Total assets of $1.2 billion (1999 - $1.2 billion).
- Debt ratio of 39 percent (1999 - 39 percent).
- Return on equity of 15 percent (1999 - 11 percent).
- Dividend declared to CIC of $87.3 million (1999 - $60.8 million).

## SaskEnergy

SaskEnergy has the legislated franchise for the distribution and transmission of natural gas within Saskatchewan. The distribution system provides cost efficient energy to over 320,000 residential, farm, commercial and industrial customers over a 65,000 kilometre distribution system. The transmission system provides transportation service to the distribution system, producers, marketers and large volume end-use customers within Saskatchewan. SaskEnergy has 812 permanent full-time employees.

SaskEnergy has five wholly-owned subsidiaries:

- TransGas Limited – natural gas transportation and storage;
- Many Islands Pipe Lines (Canada) Limited – transports natural gas interprovincially and internationally;
- Bayhurst Gas Limited – holds natural gas royalty interests;
- SaskEnergy International Incorporated – provides international consulting services and holds equity investments; and,
- Swan Valley Gas Corporation – formed in 2000, owns and operates a natural gas distribution utility in the Swan Valley area of Western Manitoba.

- Earnings of $44.4 million (1999 - $36.6 million) increased due to a combination of a gain from the sale of natural gas from a storage facility in West Central Saskatchewan and increased revenue from a royalty interest on properties in Saskatchewan and Alberta.
- Revenues of $517.9 million (1999 - $413.8 million) were up primarily due to commodity rate increases and colder winter weather in 2000. During 2000, natural gas commodity prices rose significantly.
- Expenses were $473.5 million (1999 - $377.2 million). The increase is mainly the result of an $85 million increase in cost of gas sold which resulted from record high natural gas prices along with colder winter weather.
- Debt was $717.5 million (1999 - $730.6 million).
- Capital spending was $57.9 million (1999 - $61.3 million), primarily for new customer connections, system expansion and supporting infrastructure.
- SaskEnergy's natural gas rates were the lowest among the provinces for 2000.
- 3,121 new customers were added to the distribution system (1999 - 3,794).
- TransGas system throughput increased by eight percent in 2000. This was due to a record number of gas wells drilled as a result of high natural gas prices.

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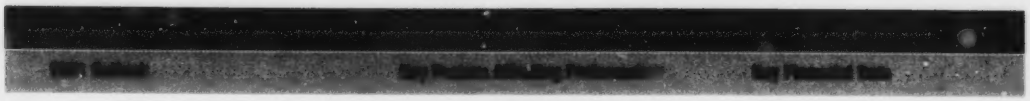
## Sask Water
*Our Water...Our Future*

Sask Water, headquartered in Moose Jaw, manages, administers, develops and protects the water and related land resources in Saskatchewan.

Sask Water has approximately 220 employees and operates within three major lines of business:

- water management and protection;
- water supply and wastewater treatment services; and,
- water-based economic development.

- Net loss was $2.0 million (1999 - $9.7 million).
- The net loss was lower than 1999 primarily due to reduced losses in the Saskatchewan Potato Utility Development Company unit (SPUDCO).
- Revenues were $22.1 million (1999 - $23.7 million) due to reduced **Water Power Act** revenues stemming from lower than average water availability. Interest and rental revenues were also lower with the mid-2000 transfer of SPUDCO operations to Sask Valley Potato Corporation, a wholly-owned subsidiary of CIC Industrial Interests Inc.
- Expenses were $23.8 million (1999 - $24.6 million). The decrease was due mainly to reduced operations and interest expenses.
- Debt decreased by $21.3 million to $38.0 million (1999 - $59.3 million) due mainly to the transfer of SPUDCO operations.
- Capital spending was $1.5 million (1999 - $2.4 million).



- If comparatively higher prices for natural gas occur, SaskEnergy will likely require a further commodity rate increase. Rates are set to recover the forecast costs of natural gas with any difference between actual and forecast costs included in a Gas Cost Variance Account to be refunded to or collected from customers in future rates.
- SaskEnergy will continue its partnering initiatives to promote both the lifestyle and cost benefits of natural gas appliances, and home heating check-up and tune-up services.
- TransGas announced a two-year rate freeze for 2000 and 2001.
- TransGas expects to transport similar volumes of natural gas in 2001 due to expected continued strong natural gas drilling activity in Saskatchewan.
- Recently announced industrial projects in the Regina and Saskatoon areas are expected to increase demand for TransGas services by 2002.
- Weather. A one percent change in winter temperature affects net income by approximately one million dollars.
- Energy conservation efforts of customers.
- SaskEnergy has a natural gas purchasing and hedging program that assists in managing natural gas price risks.
- Transmission volumes can be affected by the level of natural gas drilling activity and production levels in Saskatchewan and by the amount of natural gas flowing from Alberta into the transmission system.
- Total assets of $1.3 billion (1999 - $1.2 billion).
- Debt ratio of 70 percent (1999 - 71 percent).
- Return on equity of 15 percent, including non-regulated businesses (1999 - 13 percent).
- Dividend declared to CIC of $24.4 million (1999 - $20.1 million).

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- Sask Water plans to begin work to reconstruct the Avonlea dam as part of a multi-year program to rehabilitate provincially-owned water management structures.
- Implementation of Sask Water's responsibilities under the Provincial Water Management Framework including aquifer management studies to better assess the province's groundwater resource and rural water quality research to develop improved treatment methods.
- Investigations into the causes, extent and possible remedies to the emerging corrosion problems at the Luck Lake and Riverhurst major irrigation projects will continue.
- Sask Water will continue to work with municipal and other clients to develop new water and wastewater treatment facilities to meet customer needs.
- **Water Power Act** revenues fluctuate with weather and spring runoff conditions.
- Approximately one-third of utility water sales revenue depends on demand from the potash and fertilizer industries. Sales levels to municipal customers are dependant on weather conditions. These factors are mitigated by the use of long-term supply contracts with minimum take or pay volume requirements.
- Total assets of $71.6 million (1999 - $96.5 million).
- Sask Water receives subsidies from the GRF and is not expected to declare a dividend to CIC.

Information Services Corporation of Saskatchewan

Information Services Corporation of Saskatchewan (ISC), formerly Saskatchewan Land Information Services Corporation, was established on January 1, 2000. It is responsible for the administration of land titles and survey legislation. Its mandate includes the re-evaluation, redesign and automation of Saskatchewan's land titles system and its integration with the provincial survey, mapping and geographic information systems, including the development of a foundation for common services.

ISC is also investigating and developing markets for the commercial use of its information systems. ISC assumed the assets and operations of the provincial land titles system, previously part of Saskatchewan Justice, as well as the SaskGeomatics Division (SGD) of Saskatchewan Property Management Corporation (SPMC).

ISC has 347 staff, including those being provided through the Department of Justice and SPMC pending a formal employee transfer agreement.

- Loss was $10.9 million.
- Revenues were $20.9 million, derived from land titles ($18.7 million), geomatics ($2.0 million) and the Chief Surveyor's Office ($0.2 million).
- Expenses were $31.8 million, comprised of operating expenses of $17.3 million, write-down of the Geographic Information System (GIS) of $3.6 million, amortization of $1.5 million, and cost of sales of $1.4 million. Prior to the creation of ISC, revenue related to land titles search and registration was paid to the GRF. ISC continues this practice, and, accordingly, made payments to the GRF totalling $8.0 million.
- Debt of $27.0 million was incurred to fund the Land Titles Automated Network Development (LAND) project, the purchase of the assets from SPMC for the SGD, and to support the establishment of infrastructure.
- Capital spending was $30.1 million, primarily related to the LAND project ($22.6 million for capital assets and deferred development costs) and the geographic information system ($7.1 million).

SASKATCHEWAN TRANSPORTATION COMPANY

Saskatchewan Transportation Company (STC) is a common bus carrier providing passenger transportation, parcel express and freight services throughout Saskatchewan. STC owns and operates depots in Regina, Saskatoon and Prince Albert. It serves 276 communities in the province, providing more than 3.3 million passenger miles in service each year.

STC has 234 employees.

- Loss before grant was $2.9 million (1999 - $3.1 million).
- CIC provided grants of $3.7 million (1999 - $4.0 million) to cover its operating cash shortfall and its capital expenditures.
- Operating revenues were $13.6 million (1999 - $12.7 million).
- Operating expenses were $16.5 million (1999 - $15.8 million).
- Capital expenditures were $2.8 million (1999 - $2.0 million). Capital costs included the purchase of three new highway cruiser coaches and two 21-seat coaches, as well as trailers and towing hitches. The purchases were necessary to help right-size the fleet and replace older equipment.

- The LAND project is redeveloping the land titles system, integrating it with GIS and developing an infrastructure for the delivery of services common to all registry systems to benefit program administration and client service. Implementation of the new system, including a new fee structure, will commence in 2001.
- The Geomatics division is implementing a new business strategy.
- Saskatchewan Justice will transfer the Personal Property Registry to ISC.
- ISC will continue to build and maintain the corporate infrastructure necessary to support the LAND project as well as evaluate other related business development opportunities.
- ISC is not expected to earn a profit in the immediate future as a result of significant start-up costs.

- Level of land titles search and registration.
- Customer acceptance of on-line services.
- Systems development costs and timely implementation.
- Success of business development initiatives.

- Total assets of $30.2 million.
- Debt of $27.0 million.
- ISC is incurring start-up losses and is not expected to declare a dividend to CIC in 2001.

- STC anticipates a slight increase in its cash shortfall in 2001 due to increased fuel prices.
- The company expects capital spending of $1.8 million in 2001, mainly for coach replacement.
- STC's mandate allows the company to review the routes it operates on a business-case basis. This will allow the company to tailor service levels to more closely reflect ridership demands, to improve the overall level of service.

- Fuel prices.
- Declining passenger base with changing demographics.
- North American-wide decline in the use of intercity bus lines.

- Total assets of $18.2 million (1999 - $17.5 million).
- STC received an operating grant of $1.8 million from CIC (1999 - $2.0 million).
- STC received a capital grant of $1.9 million from CIC (1999 - $2.0 million).
- STC has no debt.
- Cash operating loss of $1.5 million (1999 - $1.8 million).

SGI, under the trade name of SGI CANADA, conducts a competitive general insurance business offering a comprehensive line of home, tenant, farm, automobile extension and commercial coverages. SGI acts as the administrator of the Saskatchewan Auto Fund, the province's compulsory vehicle insurance program (see below). SGI CANADA Insurance Services Ltd. (SCISL), a subsidiary of SGI, sells insurance in other provinces.

SGI employs more than 1,500 full-time and part-time permanent employees and operates 20 claims centres and five salvage centres in 13 communities across the province.

- Earnings were $21.7 million (1999 - $10.1 million).
- Revenues of $195.4 million (1999 - $184.4 million). The increase is largely due to higher gains on the sale of investments.
- Claims and other expenses totalled $174.2 million (1999 - $174.2 million). Claims expenses decreased slightly but were offset by increased expenses, which increased primarily due to the one percent increase in the insurance premium tax rate.
- Capital spending in 2000 totalled $0.2 million (1999 - $0.3 million).

## Saskatchewan Auto Fund

The Saskatchewan Auto Fund (the Fund) is a compulsory provincial vehicle insurance program administered by SGI. The Fund provides vehicle registrations, driver's licenses and related services for more than 825,000 vehicles and 665,000 drivers in Saskatchewan. The Fund is intended to operate on a break-even basis over time.

The Fund is not a CIC subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Fund. The results of the Fund are not included in CIC's or SGI's consolidated financial statements.

- Earnings were $45.3 million (1999 - $29.5 million), reducing the Rate Stabilization Reserve deficit to $16.9 million (1999 - $62.1 million).
- Revenues were $520.9 million (1999 - $474.6 million). Increased revenues were a result of higher gains on the sale of investments, higher premiums due to a newer vehicle population in the province and a two percent general rate increase.
- Total claims and expenses were $475.6 million (1999 - $445.2 million). Claim costs increased due to a nine percent increase in the number of vehicle damage claims. Other expenses increased by $4.9 million, primarily due to a one percent increase in the insurance premium tax rate and increased spending on traffic safety initiatives.
- Capital spending totalled $5.5 million (1999 - $7.0 million).

## HARO Financial Corporation (HARO)

**(and its subsidiary, Crown Life Insurance Company)**

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). CIC owns 68 million non-voting, common shares of HARO at a cost of $68.0 million, and has a term loan to HARO totalling $205.0 million. HARO holds a 64.5 percent ownership interest in Crown Life.

In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company (Canada Life).

- Crown Life's performance primarily determines HARO's capacity to service its term loan from CIC. Since HARO did not receive any Crown Life common share dividends, HARO was not required to pay interest on its term loan from CIC from this source.
- However, in 2000, HARO's Class C and D preferred shareholders elected to convert their shares, representing a six percent equity interest, to common shares of Crown Life, leaving CIC with 100 percent of the equity interest in HARO. HARO received cash related to the repayment of associated loans and paid interest of $5.0 million on its term loan.
- Crown Life also repurchased all of its common shares not owned by its two major shareholders. As a consequence, Crown Life is no longer a publicly traded company.
- The winding down of Crown Life's insurance business continued and efforts began to create a Saskatchewan-based investment management company using its residual assets.

# Management's Discussion and Analysis

- Investment returns in 2000 were the highest ever recorded for SGI CANADA and are expected to revert to more normal levels in 2001. However, results from insurance operations are expected to improve.
- Premium volumes are expected to increase as a result of the acquisition of an insurance company in Prince Edward Island by SGI CANADA's subsidiary, SGI CANADA Insurance Services Ltd.

- Weather conditions affect the profitability of insurance operations.
- To mitigate the effect of adverse weather conditions, SGI CANADA purchases reinsurance, which passes part of the risk to other insurers.
- Capital markets have a significant impact on the profitability of SGI CANADA.
- Competition in the markets in which SGI CANADA operates.

- Total assets of $335.3 million (1999 - $347.6 million).
- Return on equity of 21 percent (1999 - 9 percent).
- Dividend declared to CIC of $41.5 million (1999 - $9.1 million).
- Net risk ratio[1] of 1.9 (1999 - 1.6).

[1] premiums written in relation to statutory capital and surplus, a performance indicator widely used in the insurance industry.

- The surplus for 2001 is expected to decrease due to higher forecasted claim costs and the reversion of investment returns to more normal levels.
- Changes to the Personal Injury Protection Plan (PIPP) as recommended by the government appointed PIPP Review Committee will be brought forward for legislative approval in 2001. These changes will increase claim costs.
- There will not be a premium rate increase in 2001.

- Winter driving conditions and summer storm activity have a significant effect on the financial results of the Fund.
- Reinsurance protection is purchased to mitigate the effect of catastrophic events.

- Total assets of $795.4 million (1999 - $671.4 million).
- Rate Stabilization Reserve deficit of $16.9 million (1999 - $62.1 million).

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- As a result of the sale to Canada Life, Crown Life retained approximately $1.4 billion in assets. The business strategy for these assets is to liquidate most in an orderly manner and use the proceeds to pay off liabilities and return the balance to shareholders. A portion will be placed under the management of a new entity called Crown Capital Partners Inc.
- If Crown Life pays dividends on common shares in 2001, HARO will, in turn, begin to make principal payments on its term loan.

- Since HARO's only asset is Crown Life shares, its financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by:
  - North American real estate markets;
  - appropriate risk management; and,
  - investment performance.

- Contribution to consolidated financial results:

| | |
|---|---|
| revenue | - $5.0 million |
| (1999 | - $0.3 million) |
| earnings | - $5.0 million |
| (1999 | - $0.3 million) |
| assets | - $273.0 million |
| (1999 | - $272.7 million) |

## NewGrade Energy Inc.

**(NewGrade)**

NewGrade operates a heavy oil upgrading plant in Regina. It is owned equally by CIC and Consumers' Co-operative Refineries Limited (CCRL), a wholly-owned subsidiary of Federated Co-operatives Limited of Saskatoon. NewGrade has an annual processing capacity of approximately 20 million barrels of heavy crude oil.

NewGrade has approximately 183 permanent employees.

- NewGrade was profitable primarily because of substantially improved price differentials in the latter half of the year and increased throughputs.
- The average price differential between NewGrade's heavy crude oil feedstock and its reconstituted crude product was above operating break-even levels for the entire year, and was at historically high levels by fiscal year end.
- Both shareholders were required to provide cash deficiency funding during 2000 for maturing Canadian dollar debt (CIC - $3.3 million; CCRL - $3.3 million). During 1999, shareholders provided $25.0 million in cash deficiency funding (CIC - $18.4 million; CCRL - $6.6 million).

## Centennial Foods Partnership

**(Centennial)**

Centennial is a value-added food manufacturing and food service distribution business that is expanding its processing operations into Saskatchewan.

In August 2000, CIC made an equity investment of $20 million into a new general partnership, Centennial, between CIC Foods Inc. and Centennial Foods Corporation. Investment proceeds will be used to build and equip a world class ground protein food processing facility in Saskatoon. The total expansion is expected to cost approximately $34.4 million and will help position Saskatchewan as a leader in value-added food processing. This facility will initially create 190 full-time jobs.

- Centennial incurred a small loss for the two month period after the partnership was formed. Given the seasonal nature of the business, results are typically lower during this period.

- Industry analysts are forecasting price differentials to remain at historically high levels during the first part of fiscal 2001 and to decline only moderately thereafter.
- NewGrade expects to process somewhat lower volumes of heavy crude than in 2000 due to a scheduled biennial one-month maintenance shutdown for the entire complex.
- The combination of substantially improved price differentials and increased throughput, for the eleven months of the year that NewGrade is in production, is expected to result in materially improved financial performance compared to last year.
- No cash deficiency funding is expected to be required from the two shareholders for fiscal 2001.

- Price differentials. At budgeted operating levels, a $1.00 per barrel change in the price differential affects annualized earnings and cash flow by $17.3 million.
- Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa.
- The effect of U.S./Canada exchange rate changes on price differentials is partially offset by the effect on the cost of servicing U.S. dollar debt.
- Natural gas input costs. A $0.10/gigajoule change in the price of natural gas affects annualized earnings and cash flow by $1.0 million.

- Contribution to consolidated financial results:

  revenue - $472.7 million
  (1999 - $232.1 million)

  earnings - $23.1 million
  (1999 - $17.1 million loss)

  assets - $143.0 million
  (1999 - $137.5 million)

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- Centennial expects modestly improved financial performance for 2001.
- Construction of the new plant will begin in the spring of 2001, with completion and production start-up scheduled for late 2001.
- Financial performance is expected to further improve once full production is achieved at the Saskatoon plant.
- Modest improvement in market conditions is expected.

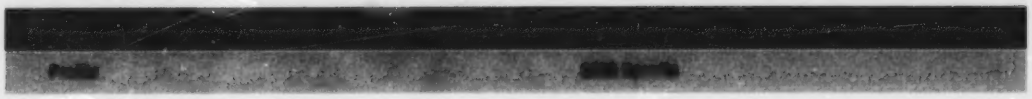
- Commodity protein prices for beef, and to a smaller degree, pork and poultry.
- Worldwide protein consumption.
- On-time and on-budget completion of construction of Saskatoon plant.
- Costs associated with maintaining quality control standards as prescribed by industry regulators.
- Ability to diversify product lines to decrease seasonality.

- Contribution to consolidated financial results based on two months of operations:

  revenue - $9.2 million

  loss - $61 thousand

  assets - $26.9 million



## Meadow Lake Pulp Limited Partnership
**(MLPLP)**

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp (CTMP) mills.

The mill has produced up to an annualized rate of 300,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. CIC owns 50 percent of MLPLP, with Millar Western Forest Products Ltd. holding the remaining 50 percent. The state-of-the-art, environmentally friendly mill is located near Meadow Lake and uses Saskatchewan aspen as its fibre source.

MLPLP has 191 employees and provides an additional 245 jobs in the woodlands.

- MLPLP's financial performance improved significantly, primarily due to strong prices and demand throughout most of 2000.
- Pulp prices, which began to improve in early 1999, continued to rise, peaking at mid year. Prices remained at the peak level through to November 2000 after which time they began to soften on lower demand.
- MLPLP's U.S. dollar bank term loan was extended to December 31, 2000. CIC has provided assurances to the bank that the term loan would continue to be reduced to a level acceptable to the bank. During the year, MLPLP reduced this term loan by U.S. $25.2 million to U.S. $50.0 million. No CIC funding was required during the year.

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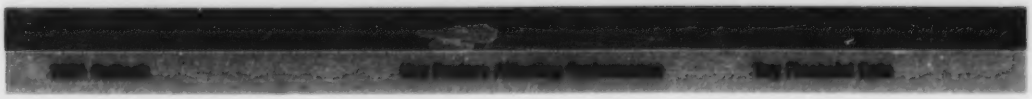
## Saskferco Products Inc.
**(Saskferco)**

Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 73,000 tonnes of anhydrous ammonia for sale and 930,000 tonnes of granular urea, marketed in Canada and the northern United States.

CIC owns 49 percent of Saskferco, Cargill Limited (Canada) 50 percent, and Citibank Canada one percent.

Saskferco has 132 permanent employees and 34 contract positions.

- Earnings were positive due to higher urea and ammonia prices, despite much higher natural gas input prices.



- MLPLP expects lower earnings for 2001. Pulp prices are expected to weaken through early 2001 and partially recover in the second half.
- The medium term outlook is that prices are expected to be similar to anticipated levels in 2001. However, prices are highly dependent on the world economic climate.

- Market pulp prices.
- Industry demand/supply balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canada exchange rate. Most pulp sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on pulp prices is partially offset by its effect on the cost of servicing MLPLP's U.S. debt.
- Input costs such as bleaching chemicals and wood (including stumpage and reforestation costs).

- Contribution to consolidated financial results:

  revenue - $95.3 million
  (1999 - $73.2 million)

  earnings - $17.7 million
  (1999 - $10.6 million)

  assets - $179.0 million
  (1999 - $153.7 million)

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- Saskferco is projecting a small profit in 2001.
- Natural gas prices are expected to fall after the winter season, which in turn is expected to result in softer nitrogen fertilizer prices.
- The longer term demand outlook remains positive.

- Urea and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate. A large portion of Saskferco's sales are in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received. The effect of the exchange rate on sales revenues is partially offset by its effect on the cost of servicing U.S. debt.

- Contribution to consolidated financial results:

  earnings - $3.1 million
  (1999 - $2.2 million loss)

  assets - $106.1 million
  (1999 - $103.0 million)

## Saskatchewan Valley Potato Corporation
**(SVPC)**

SVPC operates as a potato services, storage and production company in the Lake Diefenbaker Development Area. SVPC's head office is in Moose Jaw, with a branch office in Outlook. SVPC is wholly-owned by CIC III.

SVPC has nine permanent employees, and directly or indirectly employs farm and line workers in the Outlook area on a casual/seasonal basis.

- Loss of $0.5 million.
- Most of the company's assets were transferred from Sask Water on June 30, 2000. As a result, SVPC's results for the year reflect operations from June 30. Because sales occur largely during May and June, results for 2000 primarily reflect start-up costs and ongoing operating expenses.
- Debt at December 31, 2000 was $6.1 million.

## Big Sky Farms Inc.
**(Big Sky)**

Big Sky produces and markets live hogs in Canada and the United States.

The company operates a number of large scale, three site, farrow-to-finish hog production facilities throughout Saskatchewan utilizing modern design and production methods.

Big Sky currently has a breeding herd of approximately 9,000 sows capable of producing 195,000 market hogs annually. The company is in the process of increasing capacity. Once this expansion is complete and fully operational, Big Sky will have an annual production of approximately 425,000 market hogs.

CIC invested $15 million in convertible preferred shares in Big Sky in July and November 2000, representing 40.1 percent of the company (34.1 percent on a fully diluted basis).

Big Sky has 155 full-time employees and 30 part-time employees.

- Big Sky's performance for the last half of 2000 was positive. This was primarily attributable to relatively strong hog prices and low feed prices.

- The softening of potato prices due to North American overproduction is expected to lead to a loss in 2001 similar to 2000.
- SVPC has contracts to lock in the sale price for 70 percent of 2000's production.
- SVPC expects to directly produce more potatoes in 2001. In formulating its business strategy for 2001 and beyond, SVPC has concluded that direct production will improve asset utilization, leading to improved efficiency and profitability.

- Seed potato prices.
- Extent of forward sales contracts to reduce price risk.
- Developments in the U.S. - Canada dispute over restricted access to the U.S. market for Prince Edward Island (P.E.I.) potato exports related to the isolated discovery of potato wart. SVPC markets much of its seed potatoes to P.E.I.

- Contribution to consolidated financial results:

  revenue - $0.6 million

  loss - $0.5 million

  assets - $22.0 million

---

- Big Sky expects to be profitable in 2001.
- Market hog prices are anticipated to decline early in the year and partially recover by the second half of 2001. However, prices are expected to remain below 2000 levels.
- Feed prices are expected to rise in 2001.
- The expansion of new facilities is expected to be completed in 2001, reaching full production during 2002.

- Market hog prices. Big Sky uses price hedges to reduce its exposure to market fluctuations.
- Feed costs.
- Disease outbreaks can have a significant impact on results. Big Sky follows veterinary protocols to lessen the risk of disease.

- Contribution to consolidated financial results:

  earnings - $0.4 million

  assets - $15.1 million

## Cameco Corporation
**(Cameco)**

Cameco is one of the world's largest, low-cost uranium mining and processing companies. Its head office is in Saskatoon. Cameco's uranium products are used to generate electricity in nuclear plants around the world. It also has a significant presence in gold exploration and mining.

CIC assumed the former Saskatchewan Mining Development Corporation's (SMDC) ownership in Cameco after SMDC's wind-up in 1993. Various share transactions have reduced CIC's ownership to 9.8 percent at December 31, 2000.

Cameco has approximately 1,300 employees in Canada.

- CIC received $2.7 million in dividends from Cameco.
- Cameco purchased a 15 percent interest in the Bruce Power Partnership which signed an agreement to lease the Bruce nuclear power plants from Ontario Power Generation and operate them.
- Cameco wrote down $128 million of U.S. uranium mining assets due to continued low uranium prices and $20 million related to assets at its Ontario conversion facility for low level radioactive wastes.
- Cameco repurchased approximately five percent of its outstanding shares in 2000.
- The McArthur River mine achieved commercial production in November 2000.
- Cameco's share price was $26.25 at the end of 2000 (1999 - $21.95). Although uranium spot prices fell 26 percent during 2000, earnings were slightly higher than in 1999 before special items due to lower interest, exploration and income tax expenses.

SASKATCHEWAN OPPORTUNITIES CORPORATION

Saskatchewan Opportunities Corporation (SOCO) supports economic growth and job creation through investment in businesses and by investing in infrastructure that supports economic activity. Investment efforts are focussed on projects that involve the export of Saskatchewan goods or services or projects where locally produced goods and services replace those previously imported. SOCO targets those sectors that make a significant contribution to the province's economy and have continued potential for growth.

SOCO operates Innovation Place and the Regina Research Park. These research parks attract businesses that lead development in their respective sectors. These businesses have unique, specialized needs that are fulfilled at the parks.

SOCO has 80 employees.

- Earnings were $0.1 million (1999 - $0.3 million).
- Revenues of $23.6 million (1999 - $18.6 million) included grants from the GRF of $8.3 million (1999 - $6.7 million). Operating revenues increased primarily due to higher tenant occupancy at the research parks and from a larger investment portfolio.
- Expenses of $23.5 million (1999 - $18.3 million) increased largely due to higher interest costs and research and development park expenses related to new buildings at the research parks.
- Charge for investment impairment was $3.0 million (1999 - $2.1 million).
- Debt increased to $147.6 million (1999 - $118.5 million) to fund capital spending for the research parks and to fund growth in the investment portfolio.
- Capital and investment spending was $38.5 million (1999 - $33.2 million) reflecting construction at the research parks and continued growth in the investment portfolio.

- Dividends of $0.50 per share are expected to continue in 2001.
- Uranium and gold prices remained under pressure in 2000 with spot market uranium prices bottoming in late 2000. Industry analysts expect that uranium prices may recover somewhat in 2001.
- The longer term outlook remains positive. Uranium production remains well below consumption and uncovered demand is expected to increase significantly beyond 2003.
- Cameco expects improved earnings once its low cost McArthur River uranium mine reaches full capacity in 2001.

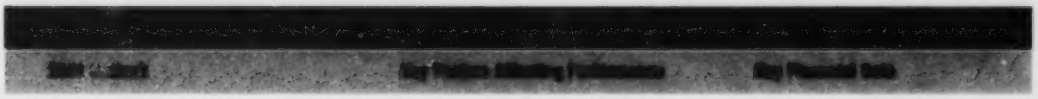
- Uranium prices, and to a lesser extent, gold prices.
- U.S./Canada exchange rate. Uranium and gold are sold in U.S. dollars. A lower exchange value for the Canadian dollar increases the price received.

- Contribution to consolidated financial results:

  revenue - $2.7 million
  (1999 - $2.7 million)

  earnings - $2.7 million
  (1999 - $2.7 million)

  assets - $114.9 million
  (1999 - $114.9 million)



- Construction of the first two buildings at the Regina Research Park were completed in 2000. Future development will focus on infrastructure for businesses involved in the advanced technology and petroleum sectors.
- Innovation Place in Saskatoon will grow in response to continued demand, particularly from businesses involved in the field of agriculture biotechnology.
- SOCO will continue to focus its efforts on strategically investing in areas of the Saskatchewan economy that will result in maximum economic benefits to the province.

- Credit and investment risks.
- Rental property vacancy rates.
- Interest rates.

- Total assets of $159.8 million (1999 - $130.4 million).
- Debt ratio of 97 percent (1999 - 96 percent).
- SOCO receives grants from the GRF and is not expected to declare a dividend to CIC.

# Management's Discussion and Analysis

SASKATCHEWAN
GOVERNMENT
GROWTH FUND

Saskatchewan Government Growth Fund Management Corporation (SGGF) participates in the federal government's Immigrant Investor Program (IIP). The purpose of the program is to acquire lower cost capital for investment in Saskatchewan on commercial terms. This provides small and medium-sized businesses with capital to grow and prosper, facilitating long-term economic growth and development for the province.

Investment funds are raised through eight subsidiary fund companies (SGGF Ltd., SGGF II, SGGF III, SGGF IV, SGGF V, SGGF VI, SGGF VII, and SGGF VIII) and are managed by SGGF with the assistance of a fund manager. The funds are not consolidated with SGGF unless there are residual profits in a fund after all investor capital has been repaid. The last SGGF Ltd. investor was repaid in 1998 and its results are therefore consolidated with SGGF.

Through its fund companies, SGGF has raised more than $266 million of immigrant investor capital since its inception in 1989, making it one of the largest immigrant investor funds in Canada.

Effective October 1, 2000, substantially all of the management services previously performed for the funds by SGGF were contracted to a fund manager.

After March 31, 1999, the Province declined to participate further in the IIP. This means that SGGF's cash flow of investment capital from the new funds has ended. However, with a significant number of subscribers in the existing fund companies yet to complete their subscription requirements, the capital raised will require management for at least the next six years.

- Net loss of $8.5 million (1999 - $1.2 million) includes an $8.2 million provision for investment losses (1999 - $2.9 million).
- Revenues were $2.7 million (1999 - $2.6 million).
- Expenses of $2.5 million (1999 - $0.9 million) were higher primarily due to a one-time reversal of investment advisor fees that occurred in 1999 and costs associated with the fund manager contract.
- Three funds launched in 1999 (SGGF VI, VII and VIII) continue to collect the full subscription amounts from subscribers.
- SGGF II repaid 32 investors their full $250,000 during the first half of the year. During the latter part of the year, liquidity considerations required SGGF II to reduce payments to $150,000 for 12 investors and to suspend payments for the other 31 investors. Full repayment of all investors depends on SGGF II's ability to liquidate its remaining investments.
- Repayment of SGGF III investors began with five receiving their full $250,000 investment at maturity.
- To the end of 2000, SGGF had, through its fund companies, invested more than $195 million in 59 new or expanding businesses.

- Each of SGGF's fund companies is at a different stage in its investment life cycle.
  - SGGF Ltd. is in the process of liquidating its residual investments.
  - SGGF II will continue to liquidate its investments, as opportunities arise, to attempt to repay its remaining investors.
  - SGGF III will continue the process of liquidating its investment portfolio and repaying its investors.
  - SGGF IV is fully invested and will focus on monitoring its portfolio.
  - SGGF V is in the investment growth stage and will work towards full investment of its capital.
  - SGGF VI, VII and VIII will continue to collect subscriptions and begin to invest.
- Ability of the fund companies to liquidate their investment portfolios to repay investors at maturity.
- Ability of the fund companies to cover their operating costs from investment returns.
- Ability of the fund companies to place investment capital in eligible businesses in accordance with the terms of the IIP.
- Total assets of $7.7 million (1999 - $16.2 million).
- Total assets under management by SGGF of $157.8 million (1999 - $155.1 million).
- Total net loss in the fund companies for the year of $12.0 million (1999 - $531 thousand) due mainly to provisions for investment losses.

## Corporate Governance

Corporate governance describes the processes, structures and functions used to direct and oversee the management of the Crown sector so that it effectively fulfills its mandate. CIC's governance initiatives are directed at strengthening the governance, performance and accountability of its subsidiary Crown corporation boards to assist them to effectively discharge their responsibilities for overseeing and directing the management of Crown corporations.

### Director Development

CIC is committed to providing the ongoing training needed by directors of Crown boards to enable them to perform effectively. 2000 marked the third year of CIC's *Board Member Training Program*. There were three training sessions held in 2000. The first session addressed the board's role in mapping and managing the corporate strategic agenda. Other modules focussed on best practices in board evaluation, composition and succession planning, and the tools and techniques that directors need to discharge their risk management responsibilities.

CIC introduced a new element to its training program in 2000: the *Excellence in Governance* lecture series. Topics in the 2000 lecture series included: Crown Corporation Board and Shareholder Relations; Trends in Corporate Governance; and, Shareholder Expectations in a Crown Sector Environment. CIC also introduced the *Directors' Reading Program* to periodically distribute topical publications related to corporate governance.

In 2001, CIC will offer further professional development opportunities to Crown board members, including an Introductory Governance Session for directors appointed to boards in December 2000. New directors will also receive an Orientation Session delivered by the management of their respective Crown corporations.

### Accountability and Board Performance

CIC has developed guidelines to assist Crown boards in evaluating and enhancing overall board performance, as well as that of board chairs and committees.

In 2000, Crown boards implemented a director's self-evaluation process, which enabled directors to assess their own performance and discuss areas for improvement with board chairs. This process will be expanded in 2001 to encompass peer evaluations for individual directors.

### Board Renewal

Integral to the effectiveness of a board of directors is ensuring that the right mix of backgrounds and skill sets exist on the board. In July 2000, the CIC Board approved the *Crown Board of Directors Appointment Policy*, which establishes certain principles and steps aimed at promoting the appointment to Crown boards of individuals with the identified expertise to add value to board decisions.

### Human Resource Governance

In October 2000, responsibility for collective bargaining and human resource governance was transferred from the Cabinet Committee on Public Sector Compensation to the CIC Board of Directors. Crowns are required to base their collective bargaining mandate and management compensation requests on strategic human resource plans and business decisions, consistent with the governance model adopted in response to the 1996 Crown Review. However, chief executive officer and board director compensation remain within the authority of the Provincial Cabinet.

### Communicating Shareholder Expectations

The open and ongoing exchange of shareholder expectations and views with its subsidiary Crown boards is a priority for CIC. In 2000, senior CIC officials held five meetings with Crown board chairs to discuss issues of mutual interest. The President and CEO and the Minister of CIC held several meetings with Crown boards to discuss specific policy issues and to communicate general shareholder perspectives and direction. Subsidiary Crown board chairs continue to submit regular reports to the CIC Board highlighting major Crown board activities and significant corporate initiatives.

In 2001, to enhance communications with its stakeholders and other interested audiences, CIC expects to include a corporate governance section on its website, with current information on CIC's governance framework, governance initiatives and publications, and links to related websites.

CIC holds an annual Crown Executive Conference. The 2000 Conference highlighted various models of corporate governance, focussing on best practices, and gave senior Crown sector managers an opportunity to provide feedback on the current direction and input into the future direction of CIC's governance framework.

## Crown Sector Strategic Plan

CIC, in cooperation with its subsidiary Crowns, developed the Crown Sector Strategic Plan. Its objective is to provide long term direction to the Crown sector to facilitate long term planning. It includes a guiding vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives. This will help to ensure that individual Crown corporation strategies are aligned with the overall strategic plan for the Crown sector. Specifically, CIC and its subsidiary Crowns are expected to align their respective corporate strategies with the following five strategic business objectives under the Crown Sector Strategic Plan:

| | |
|---|---|
| ***Customer:*** | Exceed customer expectations for products and services. |
| ***Financial Health:*** | Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector. |
| ***Mandate and Role:*** | Incorporate the Crown sector's mission into each corporation's mandate and role. Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments. |
| ***Public Purpose:*** | Strive to ensure access to reasonably and competitively priced sector products and services on an equitable basis that might otherwise not be available to all or some of Saskatchewan's residents.<br><br>Contribute to social, economic and environmental public policies of the Government of Saskatchewan, including: economic diversification and growth; representative workforces; skills training and development; technical innovation and development; and, environmental responsibility and stewardship. |
| ***Human Resources:*** | Align human resources processes and practices to best deal with emerging sector wide issues and that support achievement of individual Crown corporation strategies. |

## The Balanced Scorecard

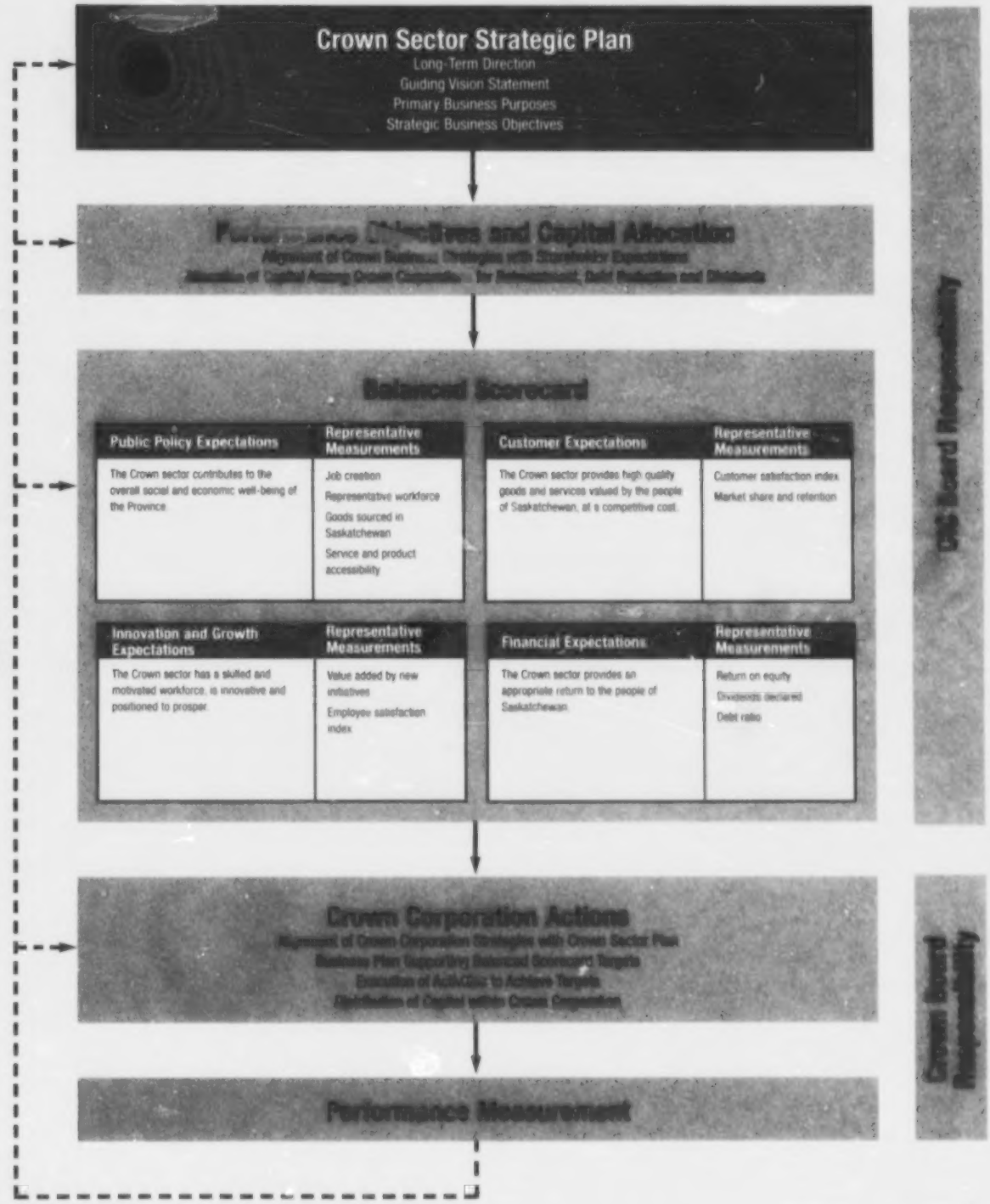
In 1997, CIC introduced the Balanced Scorecard as a performance management tool. It is designed to balance each Crown corporation's business needs with meaningful accountability to the people of Saskatchewan. Crown corporation boards of directors and management have the flexibility to respond to market forces while remaining accountable to the public for their decisions. The Balanced Scorecard consists of a system of objectives, targets and performance measures set by the CIC Board for CIC and its subsidiary Crown corporations (please see the example generic balanced scorecard on the facing page.)

It should be noted that the Balanced Scorecard is a "work in progress". With each planning cycle, it is expected that there will be improvements, modifications and adjustments. It is expected that the full development of Crown-specific objectives, measures and targets will take several years.

2000 marked the third complete cycle for the Balanced Scorecard. Crown corporations continue to improve the content of Balanced Scorecards. The broad strategic directions established under the Crown Sector Strategic Plan are being linked with the specific activities detailed in individual Crown corporation business plans. In this way, Balanced Scorecard objectives, measures and targets tie strategic, long-term corporate and sector-wide planning to each corporation's shorter term operational business planning and actions.

## Crown Sector Strategic and Performance Management

Together with the Crown Sector Strategic Plan, the Balanced Scorecard forms an integrated short- and long-term strategic and business planning and performance management system. The following figure summarizes the general form of this integrated system.


Crown Sector Strategic Plan
Long-Term Direction
Guiding Vision Statement
Primary Business Purposes
Strategic Business Objectives
Balanced Scorecard
Public Policy Expectations
Representative Measurements
The Crown sector contributes to the overall social and economic well-being of the Province
Job creation
Representative workforce
Goods sourced in Saskatchewan
Service and product accessibility
Customer Expectations
Representative Measurements
The Crown sector provides high quality goods and services valued by the people of Saskatchewan, at a competitive cost.
Customer satisfaction index
Market share and retention
Innovation and Growth Expectations
Representative Measurements
The Crown sector has a skilled and motivated workforce, is innovative and positioned to prosper.
Value added by new initiatives
Employee satisfaction index
Financial Expectations
Representative Measurements
The Crown sector provides an appropriate return to the people of Saskatchewan
Return on equity
Debt ratio
CIS Board Responsibility
Crown Corporation Actions
Crown Board Responsibility
Performance Measurement
FEEDBACK

## Performance Reporting and Disclosure Policy for Annual Reports

In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations.* The policy establishes minimum standards of annual report disclosure to enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard, while being sensitive to each Crown corporation's unique operating environment and business needs, including the need to protect commercially sensitive information. The policy establishes guidelines and a timetable to fully phase-in the policy by 2003, when each Crown is expected to have fully developed its specific Balanced Scorecard objectives, measures and targets. For 2000, minimum disclosure required includes an overview and discussion of key elements in the Crown Sector Strategic Plan, how the Crown corporation's business strategies are aligned with the Crown Sector Strategic Plan, a description of the Balanced Scorecard system of performance management, and a description of the linkage between the Balanced Scorecard and each Crown corporation's business initiatives.

## Significant Transactions

In 1997, CIC developed guidelines for reporting on significant transactions. These guidelines were approved by the CIC Board, as well as the Legislature's Standing Committee on Crown Corporations (Crown Corporations Committee).

The policy requires that all CIC Crowns, CIC and CIC III, report all significant transactions to the Crown Corporations Committee within 90 days of the transaction, generally the date upon which funds are advanced or received. Where a Crown owns subsidiaries, significant transactions will be reported whether undertaken by the Crown or its subsidiary. Reports, which may be verbal before the Crown Corporations Committee, must describe the objectives of the transaction, its financial implications and the authority for the transaction.

A significant transaction is broadly defined as one that is material (i.e., value greater than one percent of the Crown's assets) and outside of the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Additionally, Crowns must report transactions that do not fall under the above conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Such transactions would include, for example, external investments and the creation of new subsidiaries.

The need for disclosure from a public information perspective, must be balanced against the Crowns' legitimate need for confidentiality where bona fide grounds exist regarding commercially sensitive and competitive information. In such circumstances, the Crown in question is exempted from reporting the details in question in its written report to the Crown Corporations Committee.

The following transactions were reported to the Crown Corporations Committee in 2000 (in chronological order):

- Sask Water - Purchase of fresh pak plant, flaking plant, and Coteau Hills Potato Storage Facility and related equipment from the Royal Bank of Canada and the Farm Credit Corporation.
- CIC III - $14.25 million financing package authorized for Western Canadian Beef Packers Inc.
- SaskTel - Decision to wind down IQA Corporation.
- SaskTel - Partial sale of shares in Austar United Communications Ltd.
- CIC III - Sale of 100 percent of CIC III's shares in Western Canadian Beef Packers Inc.
- Sask Water - Sale of fresh pak plant and equipment.
- SaskPower - Contract for repowering of Queen Elizabeth Power Station.
- CIC III - Big Sky Farms Inc. provision of equity investment.
- SaskTel - Telerent of Canada Inc. acquisition.
- SaskPower - Ownership interest in the Cory Cogeneration Station.
- CIC III - Centennial Food Partnership provision of a $20 million equity investment.
- SaskPower - Implementation of ISO 14001 Environmental Management System.

## Crown Sector Year 2000 Final Report

Many older computer programs were written in code which does not recognize that the Year 2000 follows 1999. In these programs, the Year 2000 becomes "00" which may be interpreted by programs as the year 1900 and cause them to not function properly. If uncorrected, this could have led to a breakdown of important business processes.

CIC's 1999 Annual Report noted that the Crown sector made the transition from December 31, 1999 to January 1, 2000 without any disruptions to service, or problems encountered with the sector's computer and other management systems. A final report on the sector's Year 2000 readiness program was tabled with the Crown Corporations Committee during 2000.

The final cost estimate for Crown sector Year 2000 readiness work was $35.8 million. The benefits of preparing office and control systems for the Year 2000 included updating contingency plans, strengthening corporate "best practices", formulating business continuity plans, and strengthening cooperation regionally and nationally to ensure links and service supports in CIC's utility businesses.

CIC spent approximately $130,000 on its Year 2000 remediation plan. These costs included independent consulting services to provide ongoing advice and review of the project as well as the replacement of noncompliant hardware and software applications. These figures do not include expenditures made to update systems in the ordinary course of business.

## Personal Injury Protection Plan Review Committee

The Personal Injury Protection Plan Review Committee (PIPP Review Committee), appointed by the Lieutenant Governor in Council of the Province of Saskatchewan, was mandated to review Part VIII of *The Automobile Accident Insurance Act.* It conducted its work between January and November 2000, and held a series of public meetings across Saskatchewan.

The PIPP Review Committee released its report on December 19, 2000. It contained a comprehensive analysis based on eight underpinning values: rehabilitation; community responsibility; practicality; individual responsibility; deterrence; loss spreading; harmony; and, affordability. There were 111 recommendations, many of which require legislative and/or regulatory amendments prior to implementation. The primary recommendation was that Saskatchewan should maintain its Personal Injury Protection Plan with improved benefits and service with an enhanced role for tort law.

Other major recommendations in the PIPP Review Committee Report are:

- increased tort availability in five areas;
- enhancements to medical and rehabilitation benefits;
- improvements to income replacement benefits;
- fairer assessment of income replacement benefits for caregivers, farmers and self-employed persons;
- changes to the assessment of permanent functional impairment; and,
- a number of process and service improvements.

## Saskatchewan Utility Rate Review Process

In July 2000, the Government of Saskatchewan established the Saskatchewan Rate Review Panel (SRRP) by a ministerial order of the Minister of Crown Investments Corporation. SRRP is a ministerial advisory committee. Its mandate is to conduct reviews and provide its opinions on the fairness and reasonableness of proposed Crown corporation rate changes referred to it by the Minister of Crown Investments Corporation. Pursuant to its mandate, SRRP's rate review process considers the interests of the customer, the applicant Crown corporation, and the public.

SRRP has six members:

- Bob Lacoursiere, CA, CMC, RFP, Chair;
- Jack Boan, economist, Vice-Chair;
- Tracey Bakkeli, MBA, CMC;
- Jo-Ann Carignan-Vallee;
- Sheldon Craig; and,
- Joan Meyer.

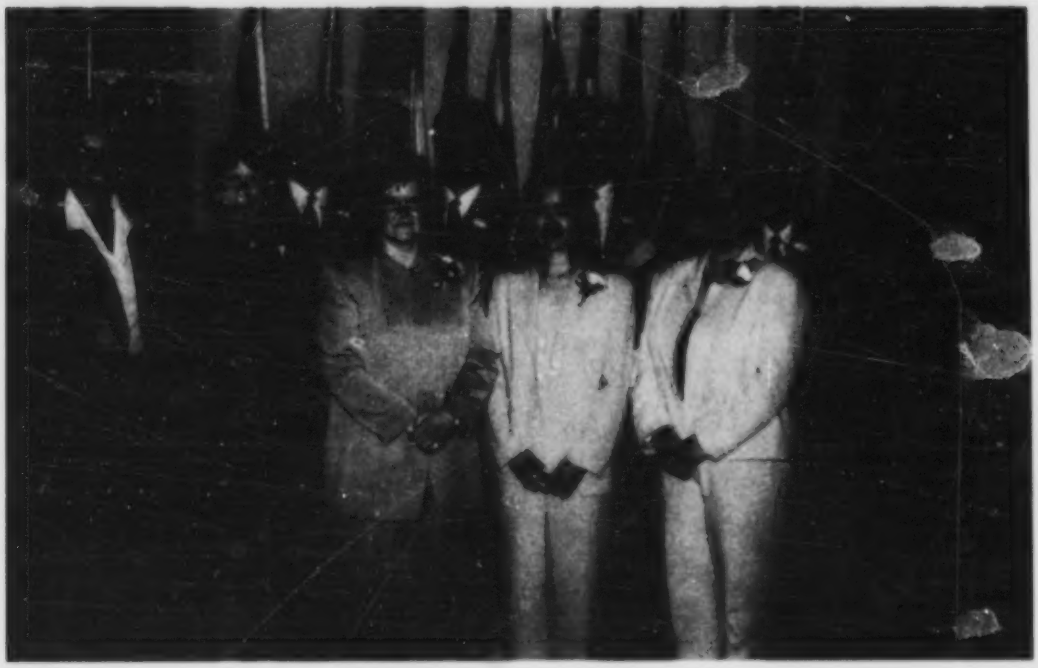
Since its creation, SRRP has reviewed and made recommendations on rate change proposals from SaskEnergy and the Saskatchewan Auto Fund (administered by SGI). In December 2000, SRRP was asked to review a rate change proposal from SaskPower and to report to the Minister of CIC by March 23, 2001. On July 1, 2000, SaskTel became subject to federal regulation via the Canadian Radio-television and Telecommunications Commission.

SRRP replaced the Saskatchewan Interim Rate Review Panel (SIRRP). SIRRP was established in 1999. Its mandate ended July 31, 2000. Membership included:

- Gerald Fiske, Chair;
- Bob Lacoursiere, Vice-Chair;
- Frank Degenstein; and,
- Joan Meyer.

During its tenure, the SIRRP considered rate change proposals from SaskEnergy and SaskTel. It also made recommendations to the Minister of Crown Investments Corporation on a process to replace SIRRP.

## Institute of Public Administration of Canada (IPAC) Gold Medal



IPAC awarded the 1999 Lieutenant Governor's Medal to the Strategic Management Team and Corporate Secretariat, in recognition of this group's contributions in 1999 to promote corporate accountability via the Corporation's performance management framework, introduce a sector wide strategic plan intended to guide corporate strategic and business planning, and design and deliver a comprehensive subsidiary board member training program to ensure effective Crown sector corporate governance. Her Honour, Lynda Haverstock, the Lieutenant Governor of Saskatchewan, presented the medal on behalf of IPAC.

## Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors has delegated certain of the responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management, the Corporation's external auditors Deloitte & Touche, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

Frank Hart
President and CEO

Sheldon Schwartz, CFA
Chief Financial Officer

March 9, 2001

## Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2000 and the consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Deloitte & Touche LLP

Regina, Saskatchewan
March 9, 2001

Deloitte & Touche LLP
Chartered Accountants

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

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## Crown Investments Corporation of Saskatchewan
## Consolidated Statement of Financial Position

**As at December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash | $ 8,056 | $ 5,444 |
| Short-term investments | 280,389 | 283,595 |
| Accounts receivable (Note 3) | 608,425 | 426,504 |
| Inventories | 135,061 | 134,849 |
| Prepaid expenses | 85,074 | 64,672 |
| | 1,117,005 | 915,064 |
| Long-term investments (Note 4) | 1,060,324 | 1,039,309 |
| Capital assets (Note 5) | 5,110,326 | 5,069,180 |
| Other assets (Note 6) | 346,161 | 296,701 |
| | $ 7,633,816 | $ 7,320,254 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Current | | |
| Bank indebtedness | $ 54,900 | $ 93,198 |
| Accounts payable and accrued liabilities | 577,236 | 443,961 |
| Notes payable (Note 7) | 112,758 | 104,870 |
| Dividend payable to General Revenue Fund | - | 125,000 |
| Deferred revenue | 120,893 | 121,558 |
| Long-term debt due within one year (Note 8) | 101,069 | 88,617 |
| | 966,856 | 977,204 |
| Long-term debt (Note 8) | 2,919,854 | 2,901,077 |
| Deferred revenue and other liabilities (Note 9) | 514,675 | 502,758 |
| | 4,401,385 | 4,381,039 |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 10) | 1,362,452 | 1,362,452 |
| Reinvested earnings | 1,869,979 | 1,576,763 |
| | 3,232,431 | 2,939,215 |
| | $ 7,633,816 | $ 7,320,254 |

Commitments and contingencies (Note 11)

(See accompanying notes)

On behalf of the Board:

Maynard Sonntag
Director

Jim Melenchuk
Director

## Crown Investments Corporation of Saskatchewan
## Consolidated Statement of Operations and Reinvested Earnings

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **REVENUE** | | |
| Sales of products and services | $ 3,125,322 | $ 2,733,787 |
| Investment (Note 4(f)) | 65,115 | 49,849 |
| Other | 39,236 | 34,425 |
| | 3,229,673 | 2,818,061 |
| **EXPENSES** | | |
| Operating costs other than those listed below | 2,190,925 | 1,901,171 |
| Interest (Note 12) | 293,094 | 317,415 |
| Amortization of capital assets | 390,747 | 379,917 |
| Saskatchewan taxes and resource payments (Note 13) | 80,834 | 67,611 |
| | 2,955,600 | 2,666,114 |
| Earnings before the following | 274,073 | 151,947 |
| Non-recurring items (Note 14) | 19,143 | 63,883 |
| **NET EARNINGS** | 293,216 | 215,830 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | 1,576,763 | 1,485,933 |
| | 1,869,979 | 1,701,763 |
| **DIVIDEND TO GENERAL REVENUE FUND** | - | 125,000 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 1,869,979 | $ 1,576,763 |

(See accompanying notes)

## Crown Investments Corporation of Saskatchewan
## Consolidated Statement of Financial Position

**As at December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash | $ 8,056 | $ 5,444 |
| Short-term investments | 280,389 | 283,595 |
| Accounts receivable (Note 3) | 608,425 | 426,504 |
| Inventories | 155,061 | 134,849 |
| Prepaid expenses | 65,074 | 64,672 |
| | 1,117,005 | 915,064 |
| Long-term investments (Note 4) | 1,060,324 | 1,039,309 |
| Capital assets (Note 5) | 5,110,326 | 5,069,180 |
| Other assets (Note 6) | 346,161 | 296,701 |
| | $ 7,633,816 | $ 7,320,254 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Current | | |
| Bank indebtedness | $ 54,900 | $ 93,198 |
| Accounts payable and accrued liabilities | 577,236 | 443,961 |
| Notes payable (Note 7) | 112,758 | 104,870 |
| Dividend payable to General Revenue Fund | - | 125,000 |
| Deferred revenue | 120,893 | 121,558 |
| Long-term debt due within one year (Note 8) | 101,069 | 88,617 |
| | 966,856 | 977,204 |
| Long-term debt (Note 8) | 2,915,854 | 2,901,077 |
| Deferred revenue and other liabilities (Note 9) | 518,675 | 502,758 |
| | 4,401,385 | 4,381,039 |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 10) | 1,362,452 | 1,362,452 |
| Reinvested earnings | 1,869,979 | 1,576,763 |
| | 3,232,431 | 2,939,215 |
| | $ 7,633,816 | $ 7,320,254 |

Commitments and contingencies (Note 11)

(See accompanying notes)

On behalf of the Board:

Maynard Sonntag
Director

Jim Melenchuk
Director

## Crown Investments Corporation of Saskatchewan
## Consolidated Statement of Operations and Reinvested Earnings

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **REVENUE** | | |
| Sales of products and services | $ 3,125,322 | $ 2,733,787 |
| Investment (Note 4(f)) | 65,115 | 49,849 |
| Other | 39,236 | 34,425 |
| | 3,229,673 | 2,818,061 |
| **EXPENSES** | | |
| Operating costs other than those listed below | 2,190,925 | 1,901,171 |
| Interest (Note 12) | 293,094 | 317,415 |
| Amortization of capital assets | 390,747 | 379,917 |
| Saskatchewan taxes and resource payments (Note 13) | 80,834 | 67,611 |
| | 2,955,600 | 2,666,114 |
| Earnings before the following | 274,073 | 151,947 |
| Non-recurring items (Note 14) | 19,143 | 63,883 |
| **NET EARNINGS** | 293,216 | 215,830 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | 1,576,763 | 1,485,933 |
| | 1,869,979 | 1,701,763 |
| **DIVIDEND TO GENERAL REVENUE FUND** | - | 125,000 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 1,869,979 | $ 1,576,763 |

(See accompanying notes)

## Crown Investments Corporation of Saskatchewan
## Consolidated Statement of Cash Flows

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net earnings | $ 293,216 | $ 215,830 |
| Items not affecting cash from operations (Note 15) | 296,137 | 295,631 |
| | 589,353 | 511,461 |
| Net change in non-cash working capital balances related to operations | (32,588) | 48,933 |
| Cash provided by operating activities | 556,765 | 560,394 |
| **INVESTING ACTIVITIES** | | |
| Purchase of investments | (316,281) | (336,578) |
| Proceeds from sales and collections of investments | 283,192 | 425,196 |
| Purchase of capital assets | (434,371) | (417,344) |
| Proceeds from sale of capital assets | 9,428 | 74,856 |
| Decrease (increase) in other assets | 11,874 | (425) |
| Cash used in investing activities | (446,158) | (254,295) |
| **FINANCING ACTIVITIES** | | |
| Increase (decrease) in notes payable | 7,888 | (73,464) |
| Increase in deferred revenue and other liabilities | 15,707 | 21,246 |
| Long-term debt proceeds from General Revenue Fund | 68,971 | 160,000 |
| Long-term debt proceeds from other lenders | 44,145 | 24,236 |
| Long-term debt repayments to General Revenue Fund | (28,545) | (256,510) |
| Long-term debt repayments to other lenders | (52,863) | (37,724) |
| Equity repayments to General Revenue Fund | - | (42,500) |
| Dividends paid to General Revenue Fund | (125,000) | (150,000) |
| Cash used in financing activities | (69,697) | (354,716) |
| **NET INCREASE (DECREASE) IN CASH DURING YEAR** | 40,910 | (48,617) |
| **CASH POSITION, BEGINNING OF YEAR** | (87,754) | (39,137) |
| **CASH POSITION, END OF YEAR** | $ (46,844) | $ (87,754) |
| Cash position consists of: | | |
| Cash | $ 8,056 | $ 5,444 |
| Bank indebtedness | (54,900) | (93,198) |
| | $ (46,844) | $ (87,754) |

(See accompanying notes)

## Crown Investments Corporation of Saskatchewan
## Consolidated Statement of Cash Flows

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net earnings | $ 293,216 | $ 215,830 |
| Items not affecting cash from operations (Note 15) | 296,137 | 295,631 |
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| Net change in non-cash working capital balances related to operations | (32,588) | 48,933 |
| Cash provided by operating activities | 556,765 | 560,394 |
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| Proceeds from sale of capital assets | 9,428 | 74,856 |
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| **CASH POSITION, END OF YEAR** | $ (46,844) | $ (87,754) |
| Cash position consists of: | | |
| Cash | $ 8,056 | $ 5,444 |
| Bank indebtedness | (54,900) | (93,198) |
| | $ (46,844) | $ (87,754) |

(See accompanying notes)

## 1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of periodic financial statements involves the use of estimates because the precise determination of financial data frequently depends upon future events. These consolidated financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

### a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, the consolidated accounts of CIC Industrial Interests Inc. (CIC III), a wholly-owned share capital subsidiary of CIC, as well as the proportionate share of jointly controlled enterprises are consolidated in these financial statements.

Separate audited financial statements for CIC and for CIC III have been prepared on a non-consolidated basis to show the financial position and results of operations of these corporate entities. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and submitted annually to the Legislative Assembly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

## 1. Summary of Significant Accounting Policies (continued)

### b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

| | |
|---|---|
| Centennial Foods Partnership | 35% |
| NewGrade Energy Inc. | 50% |
| Meadow Lake Pulp Limited Partnership | 50% |

### c) Inventories

Inventories for resale are generally valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

### d) Investments

Short-term investments are valued at cost which approximates their market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

### e) Capital assets

Capital assets are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization. Telecommunication operations include all gains or losses in accumulated amortization.

1. **Summary of Significant Accounting Policies (continued)**

**b) Joint ventures**

The Corporation's share of jointly controlled enterprises included in these financial statements are as follows:

| | |
|---|---|
| Centennial Foods Partnership | 35% |
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| Meadow Lake Pulp Limited Partnership | 50% |

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Inventories for resale are generally valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

**d) Investments**

Short-term investments are valued at cost which approximates their market value.

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence other than joint control, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

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Capital assets are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest associated with major capital and development projects is capitalized during the construction period at a weighted average interest rate of long-term borrowings in the current year.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization. Telecommunication operations include all gains or losses in accumulated amortization.

## 1. Summary of Significant Accounting Policies (continued)

### f) Amortization of capital assets

Amortization is recorded on machinery and equipment, buildings and improvements, as well as equipment under capital leases, primarily on the straight-line basis over the estimated productive life of each asset.

### g) Other assets

Natural gas in storage is recorded at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

Deferred financing charges applicable to the issue of long-term debt are amortized on a straight-line basis over the respective term of each obligation.

### h) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These premiums are taken into income over the life of the policy.

### i) Contributions in aid of construction

Contributions in aid of construction relate to new service connections. These contributions are amortized over the estimated service life of the related asset.

### j) Future asset removal and site restoration costs

Estimated future asset removal and site restoration costs, net of expected recoveries, are charged to income on a straight-line basis over the estimated remaining service life of the assets involved. This provision reflects the estimated cost of decommissioning generation, transmission, distribution and other facilities, as well as the related cost of environmental mitigation, and is included in other liabilities and deferred revenues.

### k) Provision for unpaid insurance claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

## 1. Summary of Significant Accounting Policies (continued)

### l) Revenue recognition

Revenue from utility services is recognized when the services are delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Interest earned on long-term investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received, and accrued interest receivable is offset by deferred interest income.

### m) Foreign exchange translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year.

Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end. Where the translation of long-term debt results in a difference from the previously recorded amount (i.e. translation gains and losses), the difference is deferred and amortized on a straight-line basis over the remaining term of the debt.

### n) Financial Instruments

Financial instruments are used by the Corporation to hedge its exposure to market risks relating to commodity price for natural gas, foreign currency exchange rates and interest rates. Gains and losses on forward contracts and cross currency swaps used to manage foreign exchange rates are recognized on the same basis as the gains and losses on the hedged item. Gains or losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums or discounts with respect to financial investment contracts are deferred and amortized to earnings over the contract period.

### o) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) short-term investments;
ii) accounts receivable;
iii) bank indebtedness;
iv) accounts payable and accrued liabilities;
v) notes payable; and,
vi) dividend payable to General Revenue Fund (GRF),

the carrying amounts approximate fair value due to their immediate or short-term maturity.

## 1. Summary of Significant Accounting Policies (continued)

### p) Defined benefit pension plans

In 2000, the Corporation began applying the Recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3461 by changing to a market rate to measure its accrued benefit obligation and fair value to measure its pension plan assets. In prior years, the Corporation used a long-term rate of return to measure its accrued benefit obligation and a market-related value to measure its pension plan assets. As a result of this change, the estimated transitional asset is being amortized over the average remaining service life of the employees.

The cost of benefits is determined using the accrued benefit method prorated on service and management's best estimate of actuarial assumptions. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over the average remaining service life of active employees.

### q) Leases

As lessee, where the Corporation has substantially all of the benefits and risks incident to the ownership of capital assets, the lease is classified as a capital lease. Capital assets recorded as capital leases are amortized on a basis similar to other assets in the same amortization category. All other leases are classified as operating leases and lease payments are expensed as incurred.

As lessor, where the Corporation transfers substantially all of the benefits and risks incident to the ownership of a capital asset to the lessee, the lease is classified as a sales-type lease or direct financing lease. All other leases are classified as operating leases and lease payments are recorded as income.

## 2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order-in-Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is subject to neither Federal nor Provincial income tax. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income tax.

## 3. Accounts Receivable

Included in accounts receivable is $26.1 million (1999 - $7.5 million) related to the Gas Cost Variance Account (GCVA). The GCVA is the difference between the recorded cost of gas sold and the costs actually incurred. The balance of the GCVA is subsequently refunded or collected from customers through the inclusion in future rates as recommended by the Saskatchewan Rate Review Panel.

M121

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## 4. Long-Term Investments

(thousands of dollars)

| | Voting Percentages | 2000 | 1999 |
|---|---|---|---|
| **Equity Investments** | | | |
| Saskferco Products Inc. (a) | | | |
| 68,449,080 (1999 - 68,449,080) Class B common shares | 49.0% | $ 106,079 | $ 103,014 |
| Other share investments - equity basis | | 55,865 | 18,218 |
| | | 161,944 | 121,232 |
| **Portfolio Investments** | | | |
| Cameco Corporation (b) | | | |
| 5,423,123 (1999 - 5,423,123) common shares | 9.8% | 114,898 | 114,898 |
| Austar United Communications Limited (c) | | | |
| 9,550,574 (1999 - 13,659,574) common shares | 1.9% | 43,846 | 62,711 |
| HARO Financial Corporation (d) | | | |
| 68,000,000 (1999 - 68,000,000) Class B non-voting common shares | | 68,000 | 68,000 |
| Other share investments - cost basis | | 90,180 | 68,551 |
| | | 316,924 | 314,160 |
| **Bonds, Debentures, Loans and other Advances** | | | |
| HARO Financial Corporation (d) | | 205,042 | 204,760 |
| Meadow Lake Pulp Loans (e) | | 44,252 | 44,252 |
| Other bonds and debentures | | 164,102 | 175,732 |
| Cornwall Centre Mortgages | | - | 36,051 |
| Other loans and notes receivable | | 67,843 | 48,127 |
| | | 481,239 | 508,922 |
| **Property Holdings** | | 95,173 | 88,451 |
| **Leases Receivable** | | 5,044 | 6,544 |
| | | $ 1,060,324 | $ 1,039,309 |

## 4. Long-Term Investments

(thousands of dollars)

| | Voting Percentages | 2000 | 1999 |
|---|---|---|---|
| **Equity Investments** | | | |
| Saskferco Products Inc. (a) | | | |
| 68,449,080 (1999 - 68,449,080) Class B common shares | 49.0% | $ 106,079 | $ 103,014 |
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| | | 161,944 | 121,232 |
| **Portfolio Investments** | | | |
| Cameco Corporation (b) | | | |
| 5,423,123 (1999 - 5,423,123) common shares | 9.8% | 114,898 | 114,898 |
| Austar United Communications Limited (c) | | | |
| 9,550,574 (1999 - 13,659,574) common shares | 1.9% | 43,846 | 62,711 |
| HARO Financial Corporation (d) | | | |
| 68,000,000 (1999 - 68,000,000) Class B non-voting common shares | | 68,000 | 68,000 |
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| | | 316,924 | 314,160 |
| **Bonds, Debentures, Loans and other Advances** | | | |
| HARO Financial Corporation (d) | | 205,042 | 204,740 |
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| Other bonds and debentures | | 164,102 | 175,732 |
| Cornwall Centre Mortgages | | - | 36,051 |
| Other loans and notes receivable | | 67,843 | 48,147 |
| | | 481,239 | 508,922 |
| **Property Holdings** | | 95,173 | 88,451 |
| **Leases Receivable** | | 5,044 | 6,544 |
| | | $ 1,060,324 | $ 1,039,309 |

**4. Long-Term Investments (continued)**

a) The Corporation owns all of the outstanding Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49% voting interest.

b) At December 31, 2000, the Corporation owns 5,423,123 voting common shares of Cameco Corporation (Cameco) representing a 9.8% (1999 - 9.5%) interest. Included in the investment in Cameco is one Class B share which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

c) During the year the Corporation disposed of 4,109,000 shares in Austar United Communications Limited (Austar) for net proceeds of $32.5 million resulting in a gain on sale of $13.7 million. In the prior year the Corporation recorded a gain of $39.0 million on its sale of its shares of Saturn Communications Limited for which the Corporation received 13,659,574 common shares in Austar as consideration.

d) The Corporation has advanced in total $273.0 million (1999 - $272.7 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert $68.0 million of these advances into 68,000,000 non-voting, fully participating equity shares of HARO.

The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a second five-year term in 1998. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1%. For the second five-year term, the interest rate on the loan is 6.64% (1999 - 6.64%) compounded annually.

Security for the Term Loan is 100% of HARO's assets, which as of December 31, 2000, consist primarily of HARO's 64.5% interest in Crown Life shares. On January 1, 1999, The Canada Life Assurance Company acquired all of Crown Life's Canadian insurance business, substantially all of its non-Canadian reinsurance business as well as various international insurance operations. Although Crown Life's operations have significantly changed as a result of this transaction, it retained approximately $1.4 billion in assets, primarily North American mortgages and real estate, as well as certain U.S. insurance operations and Canadian reinsurance business. These assets and operations will continue to be managed by Crown Life out of Regina, Saskatchewan.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. HARO made a payment of $5.0 million in 2000. The Corporation's total interest deferred and owing at December 31, 2000, is $153.7 million (1999 - $136.0 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100% of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25% of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

**4. Long-Term Investments (continued)**

Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100% of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

e) The Corporation owns a 50% joint venture interest in Meadow Lake Pulp Limited Partnership (MLPLP) located near Meadow Lake, Saskatchewan.

The Corporation has provided the following loans:

- Participating Debenture ($19.5 million) bears interest at 11.15% (1999 - 11.15%) calculated on October 31 each year.

- Term Loan ($10.0 million) bears interest at prime plus 2%, which is 9.5% at December 31, 2000 (1999 - 8.5%). Interest on this loan is being paid monthly.

- Contingency Loan ($5.5 million) bears interest at prime plus 1%, which is 8.5% at December 31, 2000 (1999 - 7.5%). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

- Guarantee advance ($4.0 million) bears interest at prime plus 1%, which is 8.5% (1999 - 7.5%).

- Cash flow loan ($5.3 million) bears interest at prime plus 1%, which is 8.5% (1999 - 7.5%).

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15%, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after the joint venture has fully repaid an external bank loan.

**4. Long-Term Investments (continued)**

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 5.63% at December 31, 2000 (1999 - 5.02%), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

During the year, the Corporation continued to work with MLPLP's other major lender, the Canadian Imperial Bank of Commerce (CIBC), to financially restructure MLPLP. This restructuring began in 1998 with the Corporation providing MLPLP an $8.0 million advance related to loan guarantees and $5.0 million to fund cash flow deficiencies. Interest on this Guarantee Advance and all Cash flow loans will be deferred until collection is reliably certain. Repayment terms will be determined once the financial restructuring of MLPLP is complete.

In 1999, the Corporation funded MLPLP cash flow deficiencies of $5.5 million. Other developments relating to the MLPLP financial restructuring include: an agreement between CIC and the CIBC obligating CIC to reduce MLPLP's bank loan to a level acceptable to the CIBC by April 30, 2001; and, a commitment by CIC to continue to fund any cash flow deficiencies encountered by MLPLP.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2000. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

Due to uncertainty of cash flows from the joint venture, the Corporation's Participating Debenture is shown net of provision for loan losses of $60.0 million (1999 - $60.0 million).

f) Included in investment revenue are earnings (losses) from equity investments as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Saskferco | $ 3,065 | $ (2,191) |
| Other | (4,763) | (666) |
| | $ (1,698) | $ (2,857) |

**4. Long-Term Investments (continued)**

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 5.63% at December 31, 2000 (1999 - 5.02%), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

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|---|---|---|
| Saskferco | $ 3,065 | $ (2,191) |
| Other | (4,763) | (666) |
| | $ (1,698) | $ (2,857) |

## 5. Capital Assets

(thousands of dollars)

| | 2000 | | | 1999 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Machinery & equipment | $ 7,549,723 | $ 3,448,908 | $ 4,100,815 | $ 4,103,527 |
| Buildings & improvements | 1,057,234 | 426,722 | 630,512 | 650,835 |
| Land, coal properties & rights | 170,537 | 55,893 | 114,644 | 113,691 |
| Plant under construction | 239,506 | - | 239,506 | 201,127 |
| Deferred development costs | 29,884 | 5,035 | 24,849 | - |
| | $ 9,046,884 | $ 3,936,558 | $ 5,110,326 | $ 5,069,180 |

Since the inception of the project to December 31, 2000, the Corporation has expended $278.7 million (1999 - $278.1 million) for construction of the Souris Basin project. This amount was expensed as a public policy expenditure since the expected revenue from this project is not sufficient to recover its cost.

## 6. Other Assets

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Natural gas in storage | $ 77,520 | $ 88,465 |
| Deferred financing charges | 9,439 | 11,030 |
| Deferred foreign exchange translation losses | 155,282 | 133,540 |
| Other deferred charges | 103,920 | 63,666 |
| | $ 346,161 | $ 296,701 |

## 7. Notes Payable

Notes payable are due to the GRF. These notes are due on demand and have an average interest rate of 5.72% (1999 - 4.97%).

## 8. Long-Term Debt

(thousands of dollars)

| | 2000 | | | 1999 | |
|---|---|---|---|---|---|
| | Principal Outstanding | | Average Interest Rate | Principal Outstanding | Average Interest Rate |
| **Years to Maturity** | U.S. | Canadian | | | |
| **A. General Revenue Fund** | | | | | |
| Canadian Dollar Issues | | | | | |
| 1 - 5 years | | $ 918,603 | 11.54 | $ 867,390 | 11.82 |
| 6 - 10 years | | 580,319 | 9.20 | 750,301 | 9.61 |
| 11 - 15 years | | 7,320 | 8.08 | 6,796 | 8.05 |
| 16 - 20 years | | 60,794 | 6.71 | 28,513 | 6.81 |
| 21 - 25 years | | 565,000 | 8.73 | 255,000 | 9.60 |
| 26 - 30 years | | 25,000 | 5.50 | 310,000 | 6.80 |
| | | 2,157,036 | | 2,218,000 | |
| United States Dollar Issues | | | | | |
| 1 - 5 years | $ 50,000 | 75,010 | 6.63 | 72,165 | 6.63 |
| 6 - 10 years | 194,000 | 291,039 | 7.13 | 280,000 | 7.13 |
| 11 - 15 years | 75,000 | 112,515 | 7.38 | 108,248 | 7.38 |
| 16 - 20 years | 200,000 | 299,970 | 9.38 | - | - |
| 21 - 25 years | 200,000 | 300,040 | 8.50 | 577,320 | 9.08 |
| | $ 719,000 | 1,078,574 | | 1,037,733 | |
| | | 3,235,610 | | 3,255,733 | |
| Less: | | | | | |
| Sinking fund balance | | (395,986) | | (462,050) | |
| **Total due to GRF** | | 2,839,624 | | 2,793,683 | |
| **B. Other long-term debt** | | | | | |
| Canadian Dollar Issues (due 2001 to 2013) | | 55,884 | Various | 48,949 | Various |
| United States Dollar Issues (due 2001 to 2007) | $ 80,197 | 121,415 | 9.85 | 147,062 | 9.43 |
| **Total other long-term debt** | | 177,299 | | 196,011 | |
| | | 3,016,923 | | 2,989,694 | |
| Less: | | | | | |
| due within one year | | (101,069) | | (88,617) | |
| **TOTAL LONG-TERM DEBT** | | $2,915,854 | | $2,901,077 | |

## 5. Capital Assets

(thousands of dollars)

| | 2000 | | | 1999 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Machinery & equipment | $ 7,549,723 | $ 3,448,908 | $ 4,100,815 | $ 4,103,527 |
| Buildings & improvements | 1,057,234 | 426,722 | 630,512 | 650,835 |
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(thousands of dollars)

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| | $ 346,161 | $ 296,701 |

## 7. Notes Payable

Notes payable are due to the GRF. These notes are due on demand and have an average interest rate of 5.72% (1999 - 4.97%).

**8. Long-Term Debt**
(thousands of dollars)

| | 2000 | | | 1999 | |
|---|---|---|---|---|---|
| | Principal Outstanding | | Average Interest Rate | Principal Outstanding | Average Interest Rate |
| **Years to Maturity** | U.S. | Canadian | | | |
| **A. General Revenue Fund** | | | | | |
| Canadian Dollar Issues | | | | | |
| 1 - 5 years | | $ 918,603 | 11.54 | $ 867,390 | 11.82 |
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| | | 3,235,610 | | 3,255,733 | |
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| **Total due to GRF** | | 2,839,624 | | 2,793,683 | |
| **B. Other long-term debt** | | | | | |
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| **TOTAL LONG-TERM DEBT** | | $2,915,854 | | $2,901,077 | |

## 8. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1% to 3% of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Certain issues received from the GRF totalling $695.5 million (1999 - $661.5 million) are subject to redemption on six months notice by the lender.

Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

| | |
|---|---|
| 2001 | $ 107,401 |
| 2002 | $ 37,596 |
| 2003 | $ 430,621 |
| 2004 | $ 147,153 |
| 2005 | $ 210,750 |

Long-term debt payable in United States dollars has been translated into Canadian dollars at a year-end exchange rate of 1.505 (1999 - 1.453).

## 9. Deferred Revenue and Other Liabilities

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Site restoration | $ 228,388 | $ 215,260 |
| Provision for unpaid insurance claims | 125,470 | 122,395 |
| Contributions in aid of construction | 94,716 | 85,509 |
| Other liabilities | 64,619 | 73,733 |
| Deferred income | 5,482 | 5,861 |
| | $ 518,675 | $ 502,758 |

The establishment of site restoration costs and provision for unpaid claims is based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result the recorded amount of these liabilities could change by a material amount in the near term.

## 10. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF. During 1999, the GRF redeemed $42.5 million in equity advances.

### 8. Long-Term Debt (continued)

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1% to 3% of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

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|---|---|
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| 2005 | $ 210,750 |

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## 11. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2000:

a) The Corporation has forward purchase commitments of $1,810.0 million (1999 - $2,152.0 million) for coal contracted for future minimum deliveries valued at current prices.

b) The Corporation has capital expenditure commitments amounting to $149.1 million (1999 - $260.5 million).

c) The Corporation has committed to provide $6.4 million (1999 - $7.7 million) in loans to certain Saskatchewan businesses.

d) In 1998, the Corporation signed a power purchase agreement expected to cost $2.0 billion over the 25 year term and provide approximately 210 megawatts of electrical power annually beginning in late 1999.

e) The Corporation has a contingent liability as endorser of certain promissory notes due in 2003 and 2004, arising from the sale of a dragline. In addition, there is a contingent liability for lease payments on certain leased mining equipment. The lease expires in 2004. The total amount of these contingencies is $47.0 million (1999 - $59.0 million).

f) As at December 31, 2000, the Corporation had agreed to spend $98.0 million for construction materials, equipment and contracts and services not completed at that time in respect of the Cory Cogeneration Station. The facilities scheduled operational date is November 2002.

g) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of $275.0 million. The fair value of the Corporation's guarantee is $71.7 million (1999 - $94.6 million).

h) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2000, the GRF's guarantee does not exceed $360.0 million. The Corporation does not expect any exposure under this guarantee.

i) The Corporation has agreed to fund operating shortfalls of MLPLP until April 30, 2001. The Corporation has also given assurances that arrangements will be made by April 30, 2001, to reduce MLPLP's long-term bank loan from $74.8 million to an amount determined to be reasonable by the lender.

j) The Corporation is the defendant to several unresolved statements of claim, and has provided for these claims in its accounts in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

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IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

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20 Victoria Street
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Toll Free: 1-800-387-2689
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## 12. Interest Expense

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Interest on long-term debt | $ 322,166 | $ 326,219 |
| Amortization of foreign exchange gains and losses | 11,230 | 9,730 |
| Amortization of deferred financing costs | 4,276 | 2,905 |
| | 337,672 | 338,854 |
| Less: | | |
| Sinking fund earnings | (40,367) | (34,131) |
| Interest capitalized | (6,370) | (5,267) |
| (Gain) loss on retirement of long-term debt | (2,825) | 5,696 |
| | (49,562) | (33,702) |
| Long-term debt interest expense | 288,110 | 305,152 |
| Short-term debt interest expense | 4,984 | 12,263 |
| | $ 293,094 | $ 317,415 |

Long-term interest paid during the year, on a cash basis, was $328.8 million (1999 - $346.1 million).

## 13. Saskatchewan Taxes and Resource Payments

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Oil, gas and coal royalties | $ 4,700 | $ 2,759 |
| Grants in lieu of taxes to municipalities | 35,594 | 32,639 |
| Saskatchewan capital tax | 23,656 | 24,298 |
| Insurance premium tax | 7,080 | 6,642 |
| Other | 9,804 | 1,273 |
| | $ 80,834 | $ 67,611 |

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments. Saskatchewan Education and Health Taxes are recorded as part of the cost of all of the Corporation's taxable purchases.

## 14. Non-Recurring Items

Non-recurring items include the following (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Gain (loss) on sale: | | |
| Austar United Communications Limited (a) | $ 13,683 | $ - |
| Regional Cable TV (Western) Inc. (b) | 7,796 | - |
| Soft Tracks Enterprises Ltd. (c) | 1,655 | - |
| Western Canadian Beef Packers Inc. (d) | (3,611) | - |
| Saskfor MacMillan Limited Partnership (e) | - | 30,241 |
| Saturn Communications Limited (f) | - | 39,003 |
| Loss on bankruptcy of Lake Diefenbaker Potato Corporation | - | (5,175) |
| Public policy expenditure | (320) | (186) |
| | $ 19,143 | $ 63,883 |

a) During 2000, the Corporation disposed of 4,109,000 shares in Austar for net proceeds of $32.5 million resulting in a gain on sale of $13.7 million.

b) On September 1, 2000, the Corporation divested its 29.9% equity position in Regional Cable TV (Western) Inc., a privately held company. The transaction resulted in a $7.7 million gain on disposition of the Regional Cable TV (Western) Inc. shares. As consideration, the Corporation received 1,223,491 common shares in Regional Cablesystems Inc., the parent of Regional Cable TV (Western) Inc. The fair value of the Regional Cablesystems Inc. share consideration received was $14.7 million, determined by establishing an average of quoted market prices for the shares over a 15-day period before and after the date of acquisition.

c) In conjunction with the issuance of additional shares of Soft Tracks Enterprises Ltd. (Soft Tracks) on November 22, 2000, the Corporation's ownership in Soft Tracks was diluted by 3%. This transaction resulted in a deemed disposition of 3% of the Corporation's interest in Soft Tracks and a non-cash gain of $1.7 million.

d) On March 31, 2000, the Corporation sold its wholly-owned subsidiary Western Canadian Beef Packers Inc. to XL Foods Inc. for net proceeds of $1.2 million creating a loss on sale of $3.6 million.

e) Effective March 31, 1999, the Corporation, through its wholly-owned subsidiary CIC Forest Products Ltd., sold its 50% interest in Saskfor MacMillan Limited Partnership, a lumber and structural panel operation located in Hudson Bay, Saskatchewan to MacMillan Bloedel Ltd. This transaction provided net sales proceeds of $91.8 million, generating a gain on sale of $30.2 million.

f) On July 27, 1999, the Corporation divested its 35% equity position in Saturn Communications Limited (Saturn) in return for 13,659,574 common shares of Austar. The value of Austar was determined by the subscription price of Austar's initial public offering on the Australian Stock Exchange. The Corporation's initial interest in Austar of $62.7 million was $39.0 million more than its total investment in Saturn of $23.7 million.

## 12. Interest Expense

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
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| | 337,672 | 338,854 |
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| (Gain) loss on retirement of long-term debt | (2,825) | 5,696 |
| | (49,562) | (33,702) |
| Long-term debt interest expense | 288,110 | 305,152 |
| Short-term debt interest expense | 4,984 | 12,263 |
| | $ 293,094 | $ 317,415 |

Long-term interest paid during the year, on a cash basis, was $328.8 million (1999 - $346.1 million).

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| Western Canadian Beef Packers Inc. (d) | (3,611) | - |
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f) On July 27, 1999, the Corporation divested its 35% equity position in Saturn Communications Limited (Saturn) in return for 13,659,574 common shares of Austar. The value of Austar was determined by the subscription price of Austar's initial public offering on the Australian Stock Exchange. The Corporation's initial interest in Austar of $62.7 million was $39.0 million more than its total investment in Saturn of $23.7 million.

## 15. Items Not Affecting Cash from Operations

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Amortization of capital assets | $ 390,747 | $ 379,917 |
| Sinking fund earnings | (40,367) | (34,131) |
| Non-recurring items | (19,413) | (63,883) |
| Other non-cash items | (34,830) | 13,728 |
| | $ 296,137 | $ 295,631 |

## 16. Financial Instruments

The Corporation manages its exposure to risks of fluctuations in foreign currency exchange rates, interest rates and commodity prices by operating in a manner that mitigates its exposure through the use of derivative financial instruments and commodity contracts. Financial instruments are not used for trading or speculative purposes. Board of Directors' approval is required before entering into significant derivative financial instruments and commodity contracts.

a) Commodity price risk management

The Corporation purchases natural gas for the purpose of resale. Approximately 68% (1999 – 68%) of annual purchases are made under long-term contracts with natural gas suppliers. These contracts are subject to annual price renegotiation. Prices may be fixed for a one-year period or referenced to a floating index price. In order to manage price volatility, hedges are used to fix gas prices with respect to underlying physical gas supply contracts. The Corporation also purchases natural gas for internal use at the Meridian cogeneration power facility and for the Corporation's gas fired power plants.

As at December 31, 2000, the Corporation has entered into natural gas price swap contracts with counterparties to effectively manage its forecast system gas supply. The Corporation's hedging tools also include option and basis contracts with counterparties and futures contracts traded on the New York Mercantile Exchange. For those hedges denominated in United States dollars, the Corporation hedges against its foreign exchange risk through the use of forward contracts.

Amounts received or paid resulting from settlement of gas price hedging transactions are recognized as a component of the cost of gas sold, and included in operating costs.

The Corporation is exposed to possible credit losses in the event of non-performance by counterparties to natural gas price swap and option contracts. The Corporation mitigates this credit risk by:

i) utilizing only counterparties with a Standard and Poor's credit rating of A or better for at least 75% of notional volumes purchased and Baa rated counterparties to hedge up to 25% of gas purchase volumes provided such hedges do not extend beyond nine months from the transaction date; and,

ii) limiting the notional gas volumes hedged to a maximum of 25% with any one counterparty.

**16. Financial Instruments (continued)**

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Natural gas price hedges: | | | | |
| - swaps | $ - | $ 89.4 | $ - | $ (6.6) |
| - options | - | 40.6 | (1.4) | (0.2) |
| - futures | - | - | (1.0) | (0.1) |

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price in effect on December 31, 2000.

ii) Natural gas price options - The relevant index price in effect on December 31, 2000.

iii) Natural gas futures contracts - The closing quotation from the New York Mercantile Exchange on December 31, 2000.

b) Foreign currency and interest rate risk management

The Corporation has entered into contracts to manage its interest and foreign exchange rate exposures on long-term debt. The Corporation deals only with financial institutions with a credit rating of A or better and monitors the credit risk and the credit standing of counterparties on a regular basis. The Corporation manages its exposure so that there is no substantial concentration of credit risk resulting from cross currency swaps and forward contracts.

The Corporation has entered into a number of forward start interest rate swaps to hedge its exposure to interest rate repricing on debt maturing between 2001 and 2003. The weighted average interest rate on these swaps is 6.76% on a notional principal of $130 million. The current interest rate on this debt is 12.25% (1999 - 12.25%).

## 15. Items Not Affecting Cash from Operations

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Amortization of capital assets | $ 390,747 | $ 379,917 |
| Sinking fund earnings | (40,367) | (34,131) |
| Non-recurring items | (19,413) | (63,883) |
| Other non-cash items | (34,830) | 13,728 |
| | $ 296,137 | $ 295,631 |

## 16. Financial Instruments

The Corporation manages its exposure to risks of fluctuations in foreign currency exchange rates, interest rates and commodity prices by operating in a manner that mitigates its exposure through the use of derivative financial instruments and commodity contracts. Financial instruments are not used for trading or speculative purposes. Board of Directors' approval is required before entering into significant derivative financial instruments and commodity contracts.

a) Commodity price risk management

The Corporation purchases natural gas for the purpose of resale. Approximately 68% (1999 - 68%) of annual purchases are made under long-term contracts with natural gas suppliers. These contracts are subject to annual price renegotiation. Prices may be fixed for a one-year period or referenced to a floating index price. In order to manage price volatility, hedges are used to fix gas prices with respect to underlying physical gas supply contracts. The Corporation also purchases natural gas for internal use at the Meridian cogeneration power facility and for the Corporation's gas fired power plants.

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i) utilizing only counterparties with a Standard and Poor's credit rating of A or better for at least 75% of notional volumes purchased and Baa rated counterparties to hedge up to 25% of gas purchase volumes provided such hedges do not extend beyond nine months from the transaction date; and,

ii) limiting the notional gas volumes hedged to a maximum of 25% with any one counterparty.

### 16. Financial Instruments (continued)

The fair value of the Corporation's financial instruments that pertain to natural gas price hedges is listed below (millions of dollars):

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Natural gas price hedges: | | | | |
| - swaps | $ - | $ 89.4 | $ - | $ (6.6) |
| - options | - | 40.6 | (1.4) | (0.2) |
| - futures | - | - | (1.0) | (0.1) |

The fair values of the above instruments were based on the following:

i) Natural gas price swaps - The relevant index price in effect on December 31, 2000.

ii) Natural gas price options - The relevant index price in effect on December 31, 2000.

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The Corporation has entered into contracts to manage its interest and foreign exchange rate exposures on long-term debt. The Corporation deals only with financial institutions with a credit rating of A or better and monitors the credit risk and the credit standing of counterparties on a regular basis. The Corporation manages its exposure so that there is no substantial concentration of credit risk resulting from cross currency swaps and forward contracts.

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### 16. Financial Instruments (continued)

The following summarizes instruments held at each year end (millions of dollars):

| | 2000 | | | 1999 | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Repricing/ Maturity Date | Carrying Value | Fair Value |
| Coupon swaps | $ - | $ 2.2 | 2002-2003 | $ - | $ 0.8 |
| Cross currency swaps | - | 15.1 | 2003-2008 | - | 2.5 |
| Interest rate hedges | - | (8.2) | | - | 0.5 |
| Foreign exchange contracts | - | (0.1) | 2001 | - | (1.1) |
| | $ - | $ 9.0 | | $ - | $ 2.7 |

i) Coupon swaps, cross currency swaps, interest rate hedges, and foreign exchange contracts are valued at December 31, 2000 market rates.

c) Fair value of financial assets and liabilities

The fair value of the Corporation's financial assets and liabilities is as follows (millions of dollars):

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term investments (d) | $ 434.4 | $ 448.3 | $ 483.7 | $ 529.5 |
| Sinking fund equity | 396.0 | 399.5 | 462.1 | 466.2 |
| Long-term debt | 3,016.9 | 3,513.3 | 2,989.7 | 3,373.7 |

**16. Financial Instruments (continued)**

The following summarizes instruments held at each year end (millions of dollars):

| | 2000 | | | 1999 | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Repricing/ Maturity Date | Carrying Value | Fair Value |
| Coupon swaps | $ - | $ 2.2 | 2002-2003 | $ - | $ 0.8 |
| Cross currency swaps | - | 15.1 | 2003-2008 | - | 2.5 |
| Interest rate hedges | - | (8.2) | | - | 0.5 |
| Foreign exchange contracts | - | (0.1) | 2001 | - | (1.1) |
| | $ - | $ 9.0 | | $ - | $ 2.7 |

i) Coupon swaps, cross currency swaps, interest rate hedges, and foreign exchange contracts are valued at December 31, 2000 market rates.

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The fair value of the Corporation's financial assets and liabilities is as follows (millions of dollars):

| | 2000 | | 1999 | |
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| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term investments (d) | $ 434.4 | $ 448.3 | $ 483.7 | $ 529.5 |
| Sinking fund equity | 396.0 | 399.5 | 462.1 | 466.2 |
| Long-term debt | 3,014.3 | 3,513.3 | 2,989.7 | 3,373.7 |

**16. Financial Instruments (continued)**

The fair values of the above instruments were based on the following:

i) Long-term investments

Share investments - The fair value of publicly traded share investments is based on their final trade price per share on December 31, 2000, less estimated selling costs.

Bonds, debentures, loans, notes and mortgages receivable - The fair value of bonds, debentures, loans, notes and mortgages receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan less disposition costs.

ii) Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2000, quoted market value.

iii) Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

d) The Corporation has not attempted to determine the fair value of its investments in its equity holdings ($162.0 million), non-publicly traded common shares ($24.3 million), property holdings ($95.2 million), leases receivable ($5.0 million), or certain loans ($66.4 million) due to the costs associated with this type of valuation.

Excluded from the amounts above are $273.0 million of assets held with HARO, and secured by HARO's 64.5% interest in Crown Life. Crown Life has approximately $503 million in net assets subsequent to its sale of its Canadian insurance business to The Canada Life Assurance Company. Since this sale significantly changed Crown Life's business and the industry in which it operates, it is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

e) Credit risk

The Corporation provides credit to its customers in the normal course of business. The Corporation does not have a significant credit exposure to any individual customer. For 2000, credit losses were insignificant.

## 17. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

| | |
|---|---|
| 2001 | $ 25,159 |
| 2002 | 24,872 |
| 2003 | 25,690 |
| 2004 | 22,732 |
| 2005 | 20,688 |
| Thereafter | 5,736 |
| | $ 124,877 |

## 18. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

| | 2000 | 1999 |
|---|---|---|
| Accounts receivable | $ 8.7 | $ 5.9 |
| Accounts payable and accrued liabilities | 9.3 | 10.0 |
| Sales of products and services | 92.8 | 92.2 |
| Operating costs | 127.8 | 96.9 |
| Costs capitalized | 14.5 | - |

During 2000, the Corporation received $16.5 million (1999 - $12.2 million) in grants from the GRF.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

## 19. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Meadow Lake Pulp Mill Limited Partnership, Centennial Foods Partnership and NewGrade Energy Inc. The Corporation's pro-rata share of its interest in these joint ventures is as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Current assets | $ 132,734 | $ 99,414 |
| Long-term assets | 191,176 | 219,951 |
| Current liabilities | 125,803 | 129,612 |
| Long-term liabilities | 144,727 | 174,644 |
| Equity | 53,380 | 15,109 |
| Revenue | 577,229 | 305,251 |
| Expenses | 535,219 | 312,389 |
| Net income | 42,011 | (7,138) |
| Cash provided by (used in) operating activities | 75,297 | (1,011) |
| Cash provided by (used in) financing activities | 734 | (1,407) |
| Cash (used in) provided by investing activities | (43,783) | 523 |

## 20. Employee Future Benefits

Substantially all employees of the Corporation are participants in either defined contribution or defined benefit pension plans.

The Corporation's responsibility to the defined contribution plans is limited to making regular payments into the plans to match the required amounts contributed by employees for current service.

Based on the latest actuarial valuations, the fair value of the defined benefit pension funds' assets is $1,601.1 million (1999 - $1,528.2 million) which exceeds the present value of the accrued pension benefits of the defined benefit pension plans of $1,331.0 million (1999 - $1,301.0 million) by $270.1 million (1999 - $227.2 million). The actuarial present value of the accrued pension benefits is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. This estimate therefore involves risks that the actual amount may differ materially from the estimate.

Details of the defined benefit pension plans are as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Accrued benefit asset | $ 53,311 | $ 30,541 |
| Employee contributions | 4,844 | 5,005 |
| Employer contributions | 546 | 560 |
| Benefits paid | 77,108 | 74,158 |

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Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows (thousands of dollars):

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| | $ | 124,877 |

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Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (millions of dollars):

| | | 2000 | | 1999 |
|---|---|---|---|---|
| Accounts receivable | $ | 8.7 | $ | 5.9 |
| Accounts payable and accrued liabilities | | 9.3 | | 10.0 |
| Sales of products and services | | 92.8 | | 92.2 |
| Operating costs | | 127.8 | | 96.9 |
| Costs capitalized | | 14.5 | | |

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|---|---|---|
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| Employee contributions | 4,844 | 5,005 |
| Employer contributions | 546 | 560 |
| Benefits paid | 77,108 | 74,158 |

## 20. Employee Future Benefits (continued)

The significant actuarial assumptions used to determine the amounts under the defined benefit pension plans are as follows:

| | 2000 |
|---|---|
| Discount rate | 6.67% |
| Expected long-term rate of return of plan assets | 7.39% |
| Rate of compensation increase | 2.83% |

Pension expense (income) for the year is as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Defined contribution pension plans | $ 22,088 | $ 20,694 |
| Defined benefit pension plans | (22,497) | (13,192) |

## 21. Comparative Figures

Certain of the 1999 comparative figures have been reclassified to conform with current year's presentation.

The consolidated financial statements as at December 31, 1999 and for the year then ended were audited by other auditors who expressed an opinion, without reservation, in their report dated March 10, 2000.

### 20. Employee Future Benefits (continued)

The significant actuarial assumptions used to determine the amounts under the defined benefit pension plans are as follows:

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|---|---|
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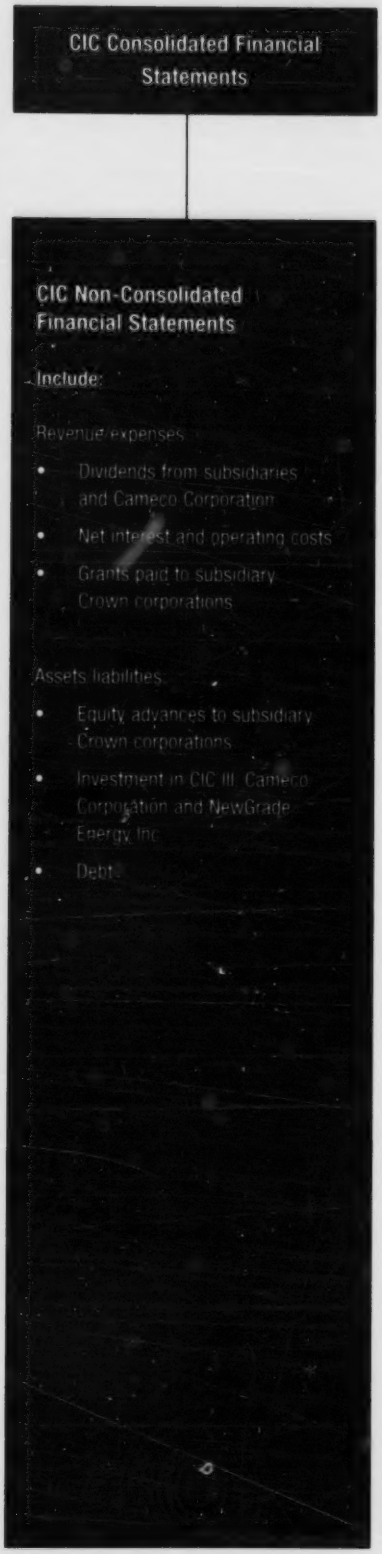
# Crown Investments Corporation of Saskatchewan (Non-Consolidated)


CIC Consolidated Financial Statements
CIC Non-Consolidated Financial Statements
Include:
Revenue/expenses
• Dividends from subsidiaries and Cameco Corporation
• Net interest and operating costs
• Grants paid to subsidiary Crown corporations
Assets/liabilities
• Equity advances to subsidiary Crown corporations
• Investment in CIC III, Cameco Corporation and NewGrade Energy Inc.
• Debt

CIC is the provincial government's holding company for its commercial Crowns and CIC III. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability. CIC also holds the Province's investment in Cameco and NewGrade.

This narrative on CIC's non-consolidated 2000 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

## Results of Operations

Earnings for 2000 were $204.1 million (1999 - $129.0 million). The $75.1 million increase was largely due to higher dividend revenue and lower net interest expense, partly offset by an increase in operating expenses and grants to subsidiaries.

Revenues for the year were $232.4 million (1999 - $162.5 million). The $69.9 million increase was primarily the result of higher dividends from subsidiaries.

Dividend revenue was $225.1 million (1999 - $155.3 million). The $69.8 million increase was due to higher dividends from subsidiary Crown corporations. SGI's earnings and regular dividend to CIC increased primarily due to increased investment earnings. SGI also paid a special $22.0 million dividend to CIC to optimize SGI's capital structure. SaskTel's dividend to CIC increased largely due to increased operating revenue combined with lower restructuring expenses, partly offset by lower non-recurring gains. SaskPower's earnings and dividend to CIC for 2000 increased primarily as a result of higher export and domestic sales combined with lower finance charges partially offset by higher fuel and purchased power costs and depreciation expense. SaskEnergy's earnings and dividend increased from 1999 due to a combination of a gain from the sale of natural gas from a storage facility and increased royalty revenues.

Expenses were $23.4 million (1999 - $29.5 million). The $6.1 million decline was mainly due to improved sinking fund earnings, which reduced net interest expense. Interest expense of $12.0 million (1999 - $20.5 million) declined $8.5 million. The decrease was partially offset by higher operating expenses. Operating expenses were $11.3 million (1999 - $8.9 million). The $2.4 million increase was primarily due to expenses for the PIPP Review Committee, SIRRP, and SRRP.

CIC provided $3.7 million in grants to STC (1999 - $4.0 million). $1.8 million was as an operating grant (1999 - $2.0 million). $1.9 million was as a capital grant (1999 - $2.0 million). CIC also provided a $1.2 million grant to Sask Water to facilitate the transfer of SPUDCO operations to SVPC. CIC provided $5.7 million in equity advances to ISC.

Debt at year end was $47.9 million (1999 - $61.2 million). The reduction of $13.3 million was due to sinking fund earnings.

## Liquidity and Capital Resources

### Cash Flow Highlights

(millions of dollars)

| | 2000 | 1999 |
|---|---|---|
| Cash from Operations | $ 174.3 | $ 118.8 |
| Cash (Used in) Provided by Investing Activities | (39.9) | 383.2 |
| Equity Advances to Crown Corporations | (5.7) | - |
| Notes Repaid to GRF | (16.6) | - |
| Dividends Paid | (125.0) | (150.0) |
| Equity Advances Repaid | - | (42.5) |
| Debt Repaid (net of sinking fund redemptions) | - | (150.1) |
| (Decrease) Increase in Cash | $ (12.9) | $ 159.4 |

### Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

### Operating, Investing and Financing Activities

Cash from operations was $174.3 million (1999 - $118.8 million). The $55.5 million increase was primarily due to higher dividends paid by subsidiary Crown corporations.

Cash used in investing activities was $45.6 million (1999 - cash provided by investing activities was $383.2 million). The primary reason for the $428.8 million change was that in 1999, CIC III repaid $401.7 million of non-interesting bearing advances to CIC. In 2000, CIC made $52.7 million in non-interest bearing advances to CIC III for investments.

Cash used in financing activities was $141.6 million (1999 - $342.6 million). The $201.0 million decrease was mainly due to CIC making $149.5 million in sinking fund instalments, together with $42.5 million in equity repayments to the GRF in 1999.

### Debt Management

CIC has borrowed at the holding company level to fund certain investments held by CIC and CIC III. In 2000, CIC reduced its debt to maintain it at a self-supporting level of $47.9 million (1999 - $61.2 million). Debt is characterized as self-supporting when there is a high degree of certainty that the amount and timing of the underlying investment cash flows can service and retire the associated debt at maturity. CIC's self-supporting debt level will change according to the composition of its investment portfolio as new investments are made and existing investments sold.

In 2001, CIC expects to fund its cash requirements (e.g., dividends to the GRF, investments, operating and interest expenditures) with internally-generated cash. CIC does not expect to borrow from the GRF in 2001.

## Liquidity and Capital Resources

### Cash Flow Highlights

(millions of dollars)

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In 2001, CIC expects to fund its cash requirements (e.g., dividends to the GRF, investments, operating and interest expenditures) with internally-generated cash. CIC does not expect to borrow from the GRF in 2001.

### Outlook and Key Factors Affecting Performance

The key factors affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and interest expense. Also affecting CIC's earnings are items attributable to its investments.

Factors affecting the level of dividends from subsidiary Crowns include the level of their cash profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating its cash profits for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2001 to be lower than in 2000.

Interest expense is determined by CIC's level of debt and by the investment earnings of its sinking funds, which are offset against interest expense. CIC expects interest expense to be lower in 2001 than in 2000 as a result of lower debt and from investment earnings on its sinking funds.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

# Crown Investments Corporation of Saskatchewan
# Non-Consolidated Financial Statements

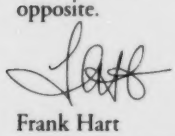
## Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

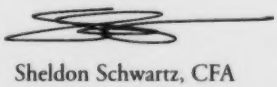
The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors has delegated certain of the responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management, Deloitte & Touche, and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO



Sheldon Schwartz, CFA
Chief Financial Officer

March 9, 2001

## Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2000 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Canada except that they are prepared on a non-consolidated basis and use the cost method to account for investments that would normally be accounted for by the equity method as explained in Note 1.

Deloitte & Touche LLP

Regina, Saskatchewan
March 9, 2001

Deloitte & Touche LLP
Chartered Accountants

## Crown Investments Corporation of Saskatchewan
## Non-Consolidated Statement of Financial Position

**As at December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Cash and short-term investments | $ 184,758 | $ 197,702 |
| Interest and accounts receivable | 246 | 93 |
| Dividends receivable | 57,027 | 39,521 |
| Equity advances to Crown corporations (Note 3) | 1,044,127 | 1,038,382 |
| Investments in share capital corporations (Note 4) | 524,088 | 468,176 |
| Other assets (Note 5) | 637 | 968 |
| | $ 1,810,883 | $ 1,744,842 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Interest and accounts payable | $ 7,986 | $ 7,322 |
| Dividend payable to General Revenue Fund | - | 125,000 |
| Long-term debt (Note 6) | 47,894 | 61,236 |
| | 55,880 | 193,558 |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 7) | 1,362,452 | 1,362,452 |
| Reinvested earnings | 392,551 | 188,832 |
| | 1,755,003 | 1,551,284 |
| | $ 1,810,883 | $ 1,744,842 |

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Director

Director

# Crown Investments Corporation of Saskatchewan
# Non-Consolidated Statement of Financial Position

**As at December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Cash and short-term investments | $ 184,758 | $ 197,702 |
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| | 1,755,003 | 1,551,284 |
| | $ 1,810,883 | $ 1,744,842 |

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Director

Director

## Crown Investments Corporation of Saskatchewan
## Non-Consolidated Statement of Operations and Reinvested Earnings

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **REVENUE** | | |
| Dividend (Note 9) | $ 225,071 | $ 155,342 |
| Interest | 7,191 | 6,919 |
| Other | 91 | 249 |
| | 232,353 | 162,510 |
| **EXPENSES** | | |
| Interest | 11,969 | 20,451 |
| General, administrative and other | 11,275 | 8,903 |
| Amortization of capital assets | 166 | 142 |
| | 23,410 | 29,496 |
| Earnings before the following | 208,943 | 133,014 |
| Grant to Saskatchewan Water Corporation | 1,200 | - |
| Grant to Saskatchewan Transportation Company | 3,650 | 3,980 |
| **NET EARNINGS** | 204,093 | 129,034 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | 188,832 | 184,798 |
| | 392,925 | 313,832 |
| **RELATED PARTY TRANSFER PRICE ADJUSTMENT** (Note 10) | 374 | - |
| **DIVIDEND TO GENERAL REVENUE FUND** | - | 125,000 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 392,551 | $ 188,832 |

(See accompanying notes)

# Crown Investments Corporation of Saskatchewan
# Non-Consolidated Statement of Cash Flows

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net earnings | $ 204,093 | $ 129,034 |
| Add (deduct) non-cash items: | | |
| Amortization | 166 | 142 |
| Sinking fund earnings | (13,342) | (6,412) |
| Other non-cash items | 383 | 711 |
| | 191,300 | 123,475 |
| Net change in non-cash working capital balances related to operations (Note 11) | (16,995) | (4,666) |
| Cash provided by operating activities | 174,305 | 118,809 |
| **INVESTING ACTIVITIES** | | |
| Purchase of investments | (55,912) | (18,421) |
| Proceeds from sale of assets to related party (Note 10) | 16,226 | - |
| Proceeds from sales and collections of investments | - | 401,698 |
| Purchase of capital assets | (218) | (132) |
| Equity advances to Crown corporations | (5,745) | - |
| Cash (used in) provided by investing activities | (45,649) | 383,145 |
| **FINANCING ACTIVITIES** | | |
| Notes payable to General Revenue Fund (Note 10) | (16,600) | - |
| Long-term debt repayments | - | (25,000) |
| Sinking fund instalments | - | (149,500) |
| Sinking fund redemptions | - | 24,425 |
| Dividends paid to General Revenue Fund | (125,000) | (150,000) |
| Equity advance repayment to General Revenue Fund | - | (42,500) |
| Cash used in financing activities | (141,600) | (342,575) |
| **NET (DECREASE) INCREASE IN CASH DURING YEAR** | (12,944) | 159,379 |
| **CASH POSITION, BEGINNING OF YEAR** | 197,702 | 38,323 |
| **CASH POSITION, END OF YEAR** | $ 184,758 | $ 197,702 |

(See accompanying notes)

## Crown Investments Corporation of Saskatchewan
## Non-Consolidated Statement of Operations and Reinvested Earnings

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **REVENUE** | | |
| Dividend (Note 9) | $ 225,071 | $ 155,342 |
| Interest | 7,191 | 6,919 |
| Other | 91 | 249 |
| | 232,353 | 162,510 |
| **EXPENSES** | | |
| Interest | 11,969 | 20,451 |
| General, administrative and other | 11,275 | 8,903 |
| Amortization of capital assets | 166 | 142 |
| | 23,410 | 29,496 |
| Earnings before the following | 208,943 | 133,014 |
| Grant to Saskatchewan Water Corporation | 1,200 | - |
| Grant to Saskatchewan Transportation Company | 3,650 | 3,980 |
| **NET EARNINGS** | 204,093 | 129,034 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | 188,832 | 184,798 |
| | 392,925 | 313,832 |
| **RELATED PARTY TRANSFER PRICE ADJUSTMENT** (Note 10) | 374 | - |
| **DIVIDEND TO GENERAL REVENUE FUND** | - | 125,000 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 392,551 | $ 188,832 |

(See accompanying notes)

## Crown Investments Corporation of Saskatchewan
## Non-Consolidated Statement of Cash Flows

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net earnings | $ 284,093 | $ 129,034 |
| Add (deduct) non-cash items: | | |
| Amortization | 166 | 142 |
| Sinking fund earnings | (13,342) | (6,412) |
| Other non-cash items | 383 | 711 |
| | 191,300 | 123,475 |
| Net change in non-cash working capital balances related to operations (Note 11) | (16,995) | (4,666) |
| Cash provided by operating activities | 174,305 | 118,809 |
| **INVESTING ACTIVITIES** | | |
| Purchase of investments | (55,912) | (18,421) |
| Proceeds from sale of assets to related party (Note 10) | 16,226 | - |
| Proceeds from sales and collections of investments | - | 401,698 |
| Purchase of capital assets | (218) | (132) |
| Equity advances to Crown corporations | (5,745) | - |
| Cash (used in) provided by investing activities | (45,649) | 383,145 |
| **FINANCING ACTIVITIES** | | |
| Notes payable to General Revenue Fund (Note 10) | (16,600) | - |
| Long-term debt repayments | - | (25,000) |
| Sinking fund instalments | - | (149,500) |
| Sinking fund redemptions | - | 24,425 |
| Dividends paid to General Revenue Fund | (125,000) | (150,000) |
| Equity advance repayment to General Revenue Fund | - | (42,500) |
| Cash used in financing activities | (141,600) | (342,575) |
| **NET (DECREASE) INCREASE IN CASH DURING YEAR** | (12,944) | 159,379 |
| **CASH POSITION, BEGINNING OF YEAR** | 197,702 | 38,323 |
| **CASH POSITION, END OF YEAR** | $ 184,758 | $ 197,702 |

(See accompanying notes)

## 1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

### a) Basis of presentation

These financial statements are prepared on a non-consolidated basis for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. For further information, readers should refer to the Crown Investments Corporation of Saskatchewan (CIC) consolidated financial statements. The consolidated financial statements include the accounts of CIC, the subsidiary Crown corporations listed in Note 2, CIC Industrial Interests Inc., a wholly-owned share capital subsidiary, and the proportionate shares of jointly controlled enterprises.

### b) Equity advances to Crown corporations

Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

### c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Where there has been a decline in any other investment it is written down to its fair value. Dividends from these share investments are recognized as income when receivable.

### d) Capital assets

Capital assets are recorded at cost. When capital assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Capital assets are amortized over their estimated useful lives using the declining balance method at rates of 20% to 30% a year.

## 1. Summary of Significant Accounting Policies (continued)

### e) Deferred charges

Costs and discounts incurred on the issue of long-term debt are recorded at cost less accumulated amortization. These deferred charges are amortized over the term of the related debt on a straight-line basis.

### f) Fair value disclosure of short-term financial instruments

For certain of CIC's financial instruments including:

i) cash and short-term investments;
ii) interest and accounts receivable;
iii) dividends receivable;
iv) interest and accounts payable; and,
v) dividend payable to the General Revenue Fund,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

### g) Cash position

Cash position includes cash held within the Corporation's bank account and short-term investments which mature on or before March 30, 2001.

## 2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order-in-Council 535/47 dated April 2, 1947, and was continued under the provisions of **The Crown Corporations Act, 1993**, as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is subject to neither Federal nor Provincial income tax.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order-in-Council:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

M121

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### 3. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Saskatchewan Power Corporation | $ 660,000 | $ 660,000 |
| Saskatchewan Telecommunications Holding Corporation | 250,000 | 250,000 |
| SaskEnergy Incorporated | 71,531 | 71,531 |
| Saskatchewan Government Insurance | 55,000 | 55,000 |
| Information Services Corporation of Saskatchewan | 5,745 | - |
| Saskatchewan Development Fund Corporation | 1,150 | 1,150 |
| Saskatchewan Water Corporation | 700 | 700 |
| Saskatchewan Government Growth Fund Management Corporation | 1 | 1 |
| | $ 1,044,127 | $ 1,038,382 |

### 4. Investments in Share Capital Corporations

(thousands of dollars)

| | Voting Percentage | 2000 | 1999 |
|---|---|---|---|
| **CIC Industrial Interests Inc. (a):** | | | |
| 34,000,000 common shares | 100% | $ 340,000 | $ 340,000 |
| Due to CIC | | 214,548 | 161,894 |
| | | 554,548 | 501,894 |
| **NewGrade Energy Inc. (b):** | | | |
| 100 Class Y voting participating common shares | 50% | 50,001 | 50,001 |
| Promissory notes | | 31,247 | 27,989 |
| | | 81,248 | 77,990 |
| **Cameco Corporation (c):** | | | |
| 5,420,567 common shares | 9.8% | 100,586 | 100,586 |
| | | 736,382 | 680,470 |
| Less: Write down of investments: | | | |
| CIC Industrial Interests Inc. | | (152,725) | (152,725) |
| NewGrade Energy Inc. | | (59,569) | (59,569) |
| | | $ 524,088 | $ 468,176 |

**4. Investments in Share Capital Corporations (continued)**

a) Amounts due to CIC are non-interest bearing and repayable on demand.

b) CIC owns 50.0% of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. CIC also holds certain promissory notes due on demand from NewGrade, and bear interest at Bank of Montreal prime rate, which is 7.50% (1999 - 6.50%).

In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40 million outstanding at any time.

During 2000, CIC provided $3.3 million (1999 - $18.4 million) to NewGrade under these facilities.

c) Included in the investment in Cameco is one Class B share which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

The fair value of Cameco shares was calculated on the last trade value on December 31, 2000, less estimated costs of disposition. The fair value of these shares is $136.6 million (1999 - $114.2 million).

d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value.

**5. Other Assets**

(thousands of dollars)

| | 2000 | | | 1999 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Deferred charges | $ 9,402 | $ 9,253 | $ 149 | $ 532 |
| Capital assets | 2,300 | 1,812 | 488 | 436 |
| | $ 11,702 | $ 11,065 | $ 637 | $ 968 |

### 3. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Saskatchewan Power Corporation | $ 660,000 | $ 660,000 |
| Saskatchewan Telecommunications Holding Corporation | 250,000 | 250,000 |
| SaskEnergy Incorporated | 71,531 | 71,531 |
| Saskatchewan Government Insurance | 55,000 | 55,000 |
| Information Services Corporation of Saskatchewan | 5,745 | - |
| Saskatchewan Development Fund Corporation | 1,150 | 1,150 |
| Saskatchewan Water Corporation | 700 | 700 |
| Saskatchewan Government Growth Fund Management Corporation | 1 | 1 |
| | $ 1,044,127 | $ 1,038,382 |

### 4. Investments in Share Capital Corporations

(thousands of dollars)

| | Voting Percentage | 2000 | 1999 |
|---|---|---|---|
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| | | 554,548 | 501,894 |
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| | | 81,248 | 77,990 |
| **Cameco Corporation (c):** | | | |
| 5,420,567 common shares | 9.8% | 100,586 | 100,586 |
| | | 736,382 | 680,470 |
| Less: Write down of investments: | | | |
| CIC Industrial Interests Inc. | | (152,725) | (152,725) |
| NewGrade Energy Inc. | | (59,569) | (59,569) |
| | | $ 524,088 | $ 468,176 |

### 4. Investments in Share Capital Corporations (continued)

a) Amounts due to CIC are non-interest bearing and repayable on demand.

b) CIC owns 50.0% of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation. CIC also holds certain promissory notes due on demand from NewGrade, and bear interest at Bank of Montreal prime rate, which is 7.50% (1999 - 6.50%).

In addition, should there be any operating shortfall at the end of any year, CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40 million outstanding at any time.

During 2000, CIC provided $3.3 million (1999 - $18.4 million) to NewGrade under these facilities.

c) Included in the investment in Cameco is one Class B share which provides CIC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

The fair value of Cameco shares was calculated on the last trade value on December 31, 2000, less estimated costs of disposition. The fair value of these shares is $136.6 million (1999 - $114.2 million).

d) The securities of CIC Industrial Interests Inc. and NewGrade are not publicly traded and therefore have no quoted market value.

### 5. Other Assets

(thousands of dollars)

| | 2000 | | | 1999 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Deferred charges | $ 9,402 | $ 9,253 | $ 149 | $ 532 |
| Capital assets | 2,300 | 1,812 | 488 | 436 |
| | $ 11,702 | $ 11,065 | $ 637 | $ 968 |

## 6. Long-term Debt

(thousands of dollars)

| Maturity Date | Interest Rate | 2000 | 1999 |
|---|---|---|---|
| June 1, 2001 | 8.750 | $ 101,168 | $ 101,168 |
| February 12, 2003 | 9.055 | 154,108 | 154,108 |
| June 2, 2006 | 9.620 | 10,000 | 10,000 |
| July 10, 2007 | 9.830 | 4,000 | 4,000 |
| March 3, 2008 | 9.620 | 3,000 | 3,000 |
| August 10, 2008 | 10.060 | 3,919 | 3,919 |
| | | 276,195 | 276,195 |
| Less: Sinking Funds | | 228,301 | 214,959 |
| | | $ 47,894 | $ 61,236 |

a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.

b) Gross long-term debt due in one year totals $101.2 million (1999 - Nil).

c) Certain issues totalling $20.9 million (1999 - $20.9 million) are subject to redemption on six months notice by the lender.

d) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

| | |
|---|---|
| 2001 | $ 16,100 |
| 2002 | $ - |
| 2003 | $ 10,875 |
| 2004 | $ - |
| 2005 | $ - |

e) The fair value of borrowed funds is determined by discounting the future cash flows at borrowing rates presently available to CIC for loans with similar terms and remaining maturity, less costs of settlement. The fair value of long-term debt is $292.7 million (1999 - $295.0 million).

f) Total interest paid on long-term debt during 2000, on a cash basis, was $25.0 million (1999 - $27.3 million).

g) The fair value of securities held in the sinking funds are based on their December 31, 2000 quoted value. The fair value of sinking funds is $228.9 million (1999 - $210.9 million).

## 7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 1999, the GRF redeemed $42.5 million in equity advances.

## 8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the General Revenue Fund. At December 31, 2000, the General Revenue Fund's guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2001.

b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $71.7 million (1999 - $94.6 million).

c) CIC has agreed to fund operating shortfalls of Meadow Lake Pulp Limited Partnership (MLPLP) until April 30, 2001. CIC has also given assurances that arrangements will be made by April 30, 2001 to reduce MLPLP's long-term bank loan from $74.8 million to an amount determined to be reasonable by the lender. To December 31, 2000, CIC has provided $10.5 million (1999 - $10.5 million) under this facility.

d) CIC has guaranteed the return on annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2001.

## 9. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Saskatchewan Power Corporation | $ 69,134 | $ 62,635 |
| Saskatchewan Telecommunications Holding Corporation | 87,279 | 60,770 |
| SaskEnergy Incorporated | 24,400 | 20,129 |
| Saskatchewan Government Insurance | 41,548 | 9,098 |
| Cameco Corporation | 2,710 | 2,710 |
| | $ 225,071 | $ 155,342 |

## 6. Long-term Debt

(thousands of dollars)

| Maturity Date | Interest Rate | [illegible] | 1999 |
|---|---|---|---|
| June 1, 2001 | 8.750 | $ [illegible] | $ 101,168 |
| February 12, 2003 | 9.055 | [illegible] | 154,108 |
| June 2, 2006 | 9.620 | [illegible] | 10,000 |
| July 10, 2007 | 9.830 | [illegible] | 4,000 |
| March 3, 2008 | 9.620 | [illegible] | 3,000 |
| August 10, 2008 | 10.060 | [illegible] | 3,919 |
| | | [illegible] | 276,195 |
| Less: Sinking Funds | | [illegible] | 214,959 |
| | | $ [illegible] | $ 61,236 |

a) The above noted long-term debt is payable to the General Revenue Fund. Sinking funds are used for the retirement of debt issues and are settled with the General Revenue Fund on a net basis.

b) Gross long-term debt due in one year totals $101.2 million (1999 - Nil).

c) Certain issues totalling $20.9 million (1999 - $20.9 million) are subject to redemption on six months notice by the lender.

d) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands of dollars):

| | |
|---|---|
| 2001 | $ 16,100 |
| 2002 | $ - |
| 2003 | $ 10,875 |
| 2004 | $ - |
| 2005 | $ - |

e) The fair value of borrowed funds is determined by discounting the future cash flows at borrowing rates presently available to CIC for loans with similar terms and remaining maturity, less costs of settlement. The fair value of long-term debt is $292.7 million (1999 - $295.0 million).

f) Total interest paid on long-term debt during 2000, on a cash basis, was $25.0 million (1999 - $27.3 million).

g) The fair value of securities held in the sinking funds are based on their December 31, 2000 quoted value. The fair value of sinking funds is $228.9 million (1999 - $210.9 million).

## 7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the General Revenue Fund (GRF) to form its equity capitalization. The advances are an equity investment in CIC by the GRF. During 1999, the GRF redeemed $42.5 million in equity advances.

## 8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the General Revenue Fund. At December 31, 2000, the General Revenue Fund's guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2001.

b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $71.7 million (1999 - $94.6 million).

c) CIC has agreed to fund operating shortfalls of Meadow Lake Pulp Limited Partnership (MLPLP) until April 30, 2001. CIC has also given assurances that arrangements will be made by April 30, 2001 to reduce MLPLP's long-term bank loan from $74.8 million to an amount determined to be reasonable by the lender. To December 31, 2000, CIC has provided $10.5 million (1999 - $10.5 million) under this facility.

d) CIC has guaranteed the return on annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2001.

## 9. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Saskatchewan Power Corporation | $ 69,134 | $ 62,635 |
| Saskatchewan Telecommunications Holding Corporation | 87,279 | 60,770 |
| SaskEnergy Incorporated | 24,400 | 20,129 |
| Saskatchewan Government Insurance | 41,548 | 9,098 |
| Cameco Corporation | 2,710 | 2,710 |
| | $ 225,071 | $ 155,342 |

### 10. Related Party Transfer Price Adjustment

On June 28, 2000, the Corporation's subsidiary Saskatchewan Water Corporation transferred assets with a book value of $16.2 million to CIC for assumption of $16.6 million in notes payable to the GRF. The difference is recorded by CIC as a transfer of equity to Saskatchewan Water Corporation. The Corporation subsequently transferred these assets to its wholly-owned subsidiary, CIC III, at book value.

### 11. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Increase in interest and accounts receivable | $ (153) | $ (23) |
| Increase in dividends receivable | (17,506) | (2,205) |
| Increase (decrease) in interest and accounts payable | 664 | (2,438) |
| | $ (16,995) | $ (4,666) |

### 12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Category (as per financial statements) | | |
| Interest and accounts receivable | $ 46 | $ 24 |
| Interest and accounts payable | 6,574 | 6,644 |
| General, administrative and other expenses | 278 | 239 |
| Interest revenue | 1,957 | 1,003 |

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

### 10. Related Party Transfer Price Adjustment

On June 28, 2000, the Corporation's subsidiary Saskatchewan Water Corporation transferred assets with a book value of $16.2 million to CIC for assumption of $16.6 million in notes payable to the GRF. The difference is recorded by CIC as a transfer of equity to Saskatchewan Water Corporation. The Corporation subsequently transferred these assets to its wholly-owned subsidiary, CIC III, at book value.

### 11. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Increase in interest and accounts receivable | $ (155) | $ (23) |
| Increase in dividends receivable | (17,500) | (2,205) |
| Increase (decrease) in interest and accounts payable | 664 | (2,438) |
| | $ (16,999) | $ (4,666) |

### 12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Category (as per financial statements) | | |
| Interest and accounts receivable | $ 46 | $ 24 |
| Interest and accounts payable | 6,574 | 6,644 |
| General, administrative and other expenses | 278 | 239 |
| Interest revenue | 1,557 | 1,003 |

In addition, CIC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to CIC Industrial Interests Inc. without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

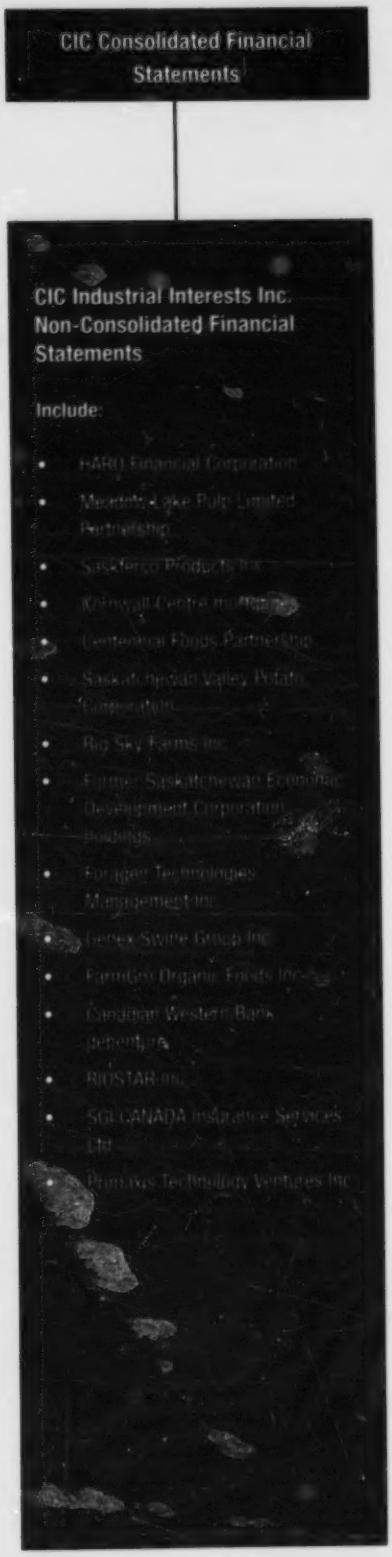
## 13. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. Total amount paid to the Plan for 2000 was $260.4 thousand (1999 - $247.0 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2000 exceed the actuarially determined net present value of retirement annuities payable.

## 14. Comparative Figures

The non-consolidated financial statements as at December 31, 1999, and for the year then ended were audited by other auditors who expressed an opinion that the non-consolidated financial statements present fairly, in all material respect, the financial position of the Corporation as at December 31, 1999, except that they are prepared on a non-consolidated basis and use the cost method to account for investments that would normally be accounted for by the equity method, in their report dated March 10, 2000.

# CIC Industrial Interests Inc. (Non-Consolidated)


CIC Consolidated Financial Statements
CIC Industrial Interests Inc. Non-Consolidated Financial Statements
Include:

CIC Industrial Interests Inc. (CIC III) was incorporated in 1979 under **The Business Corporations Act (Saskatchewan)** as a wholly-owned subsidiary of CIC. CIC III was created as a vehicle to hold certain investments of a commercial nature which involve some degree of private ownership. This narrative on CIC III's non-consolidated 2000 financial results should be read in conjunction with the audited non-consolidated financial statements.

## Results of Operations

Earnings for 2000 were $22.0 million (1999 - $43.3 million), a decrease of $21.3 million. The decrease is primarily due to 1999 results including a $30.2 million gain on sale of Saskfor MacMillan Limited Partnership, partly offset by higher earnings from equity investments, and higher interest income. 2000 results also include a $3.6 million loss on the sale of Western Canadian Beef Packers Inc. (WCBP).

Net revenue from ongoing operations was $25.5 million (1999 - $12.7 million). Higher interest and rental income and earnings from equity investments accounted for the majority of the $12.8 million increase. Interest and rental revenue totalled $12.6 million in 2000 (1999 - $7.7 million). The $4.9 million increase was mainly due to HARO's interest payment on its outstanding loans. Earnings from equity investments were $17.9 million (1999 - $6.9 million). The $11.0 million overall increase primarily reflects improved results for MLPLP of $7.1 million, Saskferco of $5.3 million, Genex of $1.1 million, the addition of Big Sky, $0.4 million and a $1.9 million reduction in losses at WCBP (sold in March 2000). These were partly offset by a $3.0 million loss in revenue from SMLP (sold in March 1999), losses from ongoing operations at SGI CANADA Insurance Services Ltd. ($0.2 million), and losses in SVPC ($0.8 million), FarmGro ($0.7 million), and Centennial ($0.1 million).

Expenses in 2000 were $5.0 million (1999 - $2.0 million). This $3.0 million increase was primarily due to a higher provision for investment losses. The 2000 provision of $3.8 million includes a $2.0 million loss provision for BIOSTAR Inc. with the remainder related to provisions against the carrying value of assets in the former Saskatchewan Economic Development Corporation portfolio.

CIC's non-interest bearing advances to CIC III increased to $214.5 million as at December 31, 2000 (1999 - $161.9 million). Advances increased by $52.6 million to fund CIC III investments.

During 2000, CIC III provided equity for the following investments: $20.0 million for Centennial, $16.2 million for SVPC, $15.0 million for Big Sky, $9.0 million to WCBP, $1.9 for Foragen ($9.0 million total commitment), $5.0 million for Primaxis, and $0.3 million for FarmGro. CIC III provided the following loans: $1.6 million to XL Foods Inc., $1.1 million to FarmGro, $0.8 million to WCBP, and $0.6 million to SVPC for its operating line of credit ($2.0 million total available credit).

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## CIC Industrial Interests Inc.
## (Non-Consolidated)

### Liquidity and Capital Resources

#### Cash Flow Highlights

(millions of dollars)

| | 2000 | 1999 |
|---|---|---|
| Cash from Operations | $ 16.7 | $ 13.8 |
| Net (Purchase of) Proceeds from Investments | (69.3) | 387.9 |
| Debt Increase (Decrease) | 52.6 | (401.7) |
| Increase in Cash | $ - | $ - |

#### Liquidity

CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

#### Operating, Investing and Financing Activities

Cash provided by operations was $16.7 million (1999 - $13.8 million). This $2.9 million increase was primarily due to higher earnings and hence cash flow from ongoing operations.

Cash used in investing activities was $69.3 million (1999 - $387.9 million cash provided by investing activities). The difference is mainly due to 1999 results including $406.6 million in cash from the sale or repayment of investments. These primarily consisted of the receipt of the $155.0 million second instalment from the 1998 sale of CIC III's interest in the Bi-Provincial Upgrader Joint Venture (Bi-Provincial), HARC's $149.5 million loan repayment, and $91.8 million in net sales proceeds received on the sale of CIC III's interest in SMLP.

Cash provided by financing activities was $52.6 million consisting of non-interest bearing advances from CIC (1999 - $401.7 million cash used in financing activities). In 1999, cash used in financing activities to repay non-interest bearing advances to CIC consisted mainly of proceeds from CIC III's 1999 sale of its investment in SMLP, the receipt of the second instalment of Bi-Provincial sale proceeds and the HARC loan repayment. CIC III did not declare a dividend to CIC in 2000.

#### Debt Management

All debt used to finance investments by CIC III is non-interest bearing and held by CIC. CIC III applies all surplus cash to repay non-interest bearing advances from CIC.

#### Outlook and Key Factors Affecting Performance

CIC III's earnings are affected primarily by the performance of its investments, including any associated provisions or realized gains or losses on the disposition of its investments. The factors affecting the earnings and outlook for CIC III's major investments with private sector partners are discussed in the "Management's Discussion and Analysis" Section.

CIC III regularly assesses the appropriateness of the carrying value for all of its investments, and will provide for losses on an investment if it judges there to be a permanent impairment in its carrying value. CIC III regularly reviews its investments to determine the appropriateness of retention or divestiture.

## CIC Industrial Interests Inc.
## (Non-Consolidated)

### Liquidity and Capital Resources

**Cash Flow Highlights**

(millions of dollars)

| | 2000 | 1999 |
|---|---|---|
| Cash from Operations | $16.7 | $ 13.8 |
| Net (Purchase of) Proceeds from Investments | (69.3) | 387.9 |
| Debt Increase (Decrease) | 52.6 | (401.7) |
| Increase in Cash | $ - | $ - |

**Liquidity**

CIC III finances its capital requirements through internally generated cash flow and non-interest bearing advances from CIC.

**Operating, Investing and Financing Activities**

Cash provided by operations was $16.7 million (1999 - $13.8 million). This $2.9 million increase was primarily due to higher earnings and hence cash flow from ongoing operations.

Cash used in investing activities was $69.3 million (1999 - $387.9 million cash provided by investing activities). The difference is mainly due to 1999 results including $406.6 million in cash from the sale or repayment of investments. These primarily consisted of the receipt of the $155.0 million second instalment from the 1998 sale of CIC III's interest in the Bi-Provincial Upgrader Joint Venture (Bi-Provincial), HARO's $149.5 million loan repayment, and $91.8 million in net sales proceeds received on the sale of CIC III's interest in SMLP.

Cash provided by financing activities was $52.6 million consisting of non-interest bearing advances from CIC (1999 -$401.7 million cash used in financing activities). In 1999, cash used in financing activities to repay non-interest bearing advances to CIC consisted mainly of proceeds from CIC III's 1999 sale of its investment in SMLP, the receipt of the second instalment of Bi-Provincial sale proceeds and the HARO loan repayment. CIC III did not declare a dividend to CIC in 2000.

**Debt Management**

All debt used to finance investments by CIC III is non-interest bearing and held by CIC. CIC III applies all surplus cash to repay non-interest bearing advances from CIC.

**Outlook and Key Factors Affecting Performance**

CIC III's earnings are affected primarily by the performance of its investments, including any associated provisions or realized gains or losses on the disposition of its investments. The factors affecting the earnings and outlook for CIC III's major investments with private sector partners are discussed in the "Management's Discussion and Analysis" Section.

CIC III regularly assesses the appropriateness of the carrying value for all of its investments, and will provide for losses on an investment if it judges there to be a permanent impairment in its carrying value. CIC III regularly reviews its investments to determine the appropriateness of retention or divestiture.

# CIC Industrial Interests Inc.
# Non-Consolidated Financial Statements

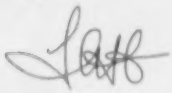
## Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of CIC Industrial Interests Inc. to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors has delegated certain of the responsibilities to its Audit Committee including the responsibility for reviewing the annual financial statements and meeting with management, Deloitte & Touche and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

Deloitte & Touche has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.



Frank Hart
President and CEO

Sheldon Schwartz, CFA
Chief Financial Officer

March 9, 2001

## Auditors' Report

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the non-consolidated statement of financial position of **CIC Industrial Interests Inc.** as at December 31, 2000 and the non-consolidated statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada except that they are prepared on a non-consolidated basis as explained in Note 1.

Deloitte & Touche LLP

Regina, Saskatchewan
March 9, 2001

Deloitte & Touche LLP
Chartered Accountants

## CIC Industrial Interests Inc.
## Non-Consolidated Statement of Financial Position

**As at December 31**
(thousands of dollars)

| | 1999 |
|---|---|
| **ASSETS** | |
| Interest and accounts receivable | $ 607 |
| Equipment held for sale | - |
| Debentures and loans receivable (Note 3) | 48,478 |
| Investment - HARO Financial Corporation (Note 4) | 272,740 |
| Investments - equity basis (Note 5) | 212,637 |
| Investments - cost basis (Note 6) | 7,966 |
| Investments - properties (Note 7) | 9,657 |
| | $ 552,085 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | |
| Accounts payable | $ 3,393 |
| Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 8) | 161,894 |
| | 165,287 |
| Shareholder's Equity | |
| Share capital (Note 9) | 340,000 |
| Reinvested earnings | 46,798 |
| | 386,798 |
| | $ 552,085 |

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

## CIC Industrial Interests Inc.

## Non-Consolidated Statement of Operations and Reinvested Earnings

**For the Year Ended December 31**

(thousands of dollars)

| | 1999 |
|---|---|
| **REVENUES** | |
| Interest, rental and other | $ 7,735 |
| Earnings from equity investments (Note 5(j)) | 6,934 |
| (Loss) gain on sale of investments | 30,597 |
| | 45,266 |
| **EXPENSES** | |
| Amortization | 128 |
| Provision for investment losses | 1,360 |
| Rental and other | 479 |
| | 1,967 |
| **NET INCOME** | 43,299 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | 3,499 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 46,798 |

(See accompanying notes)

## CIC Industrial Interests Inc.
## Non-Consolidated Statement of Financial Position

**As at December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Interest and accounts receivable | $ 1,405 | $ 607 |
| Equipment held for sale | 100 | - |
| Debentures and loans receivable (Note 3) | 47,023 | 48,478 |
| Investment - HARO Financial Corporation (Note 4) | 273,042 | 272,740 |
| Investments - equity basis (Note 5) | 291,288 | 212,637 |
| Investments - cost basis (Note 6) | 10,275 | 7,966 |
| Investments - properties (Note 7) | 8,838 | 9,657 |
| | $ 631,971 | $ 552,085 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| Accounts payable | $ 8,619 | $ 3,393 |
| Due to Crown Investments Corporation of Saskatchewan (CIC) (Note 8) | 214,548 | 161,894 |
| | 223,167 | 165,287 |
| Shareholder's Equity | | |
| Share capital (Note 9) | 340,000 | 340,000 |
| Reinvested earnings | 68,804 | 46,798 |
| | 408,804 | 386,798 |
| | $ 631,971 | $ 552,085 |

Commitments and contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

## CIC Industrial Interests Inc.
## Non-Consolidated Statement of Operations and Reinvested Earnings
**For the Year Ended December 31**
(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **REVENUES** | | |
| Interest, rental and other | $ 12,586 | $ 7,735 |
| Earnings from equity investments (Note 5(j)) | 17,884 | 6,934 |
| (Loss) gain on sale of investments | (3,500) | 30,597 |
| | 26,970 | 45,266 |
| **EXPENSES** | | |
| Amortization | 101 | 128 |
| Provision for investment losses | 3,771 | 1,360 |
| Rental and other | 1,092 | 479 |
| | 4,964 | 1,967 |
| **NET INCOME** | 22,006 | 43,299 |
| **REINVESTED EARNINGS, BEGINNING OF YEAR** | 46,798 | 3,499 |
| **REINVESTED EARNINGS, END OF YEAR** | $ 68,804 | $ 46,798 |

(See accompanying notes)

## CIC Industrial Interests Inc.
## Non-Consolidated Statement of Cash Flows

**For the Year Ended December 31**

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ 22,006 | $ 43,299 |
| Dividends received from equity investments | 761 | 3,211 |
| Add (deduct) non-cash items: | | |
| Loss (gain) on sale of investments | 3,500 | (30,597) |
| Earnings from equity investments | (17,884) | (6,934) |
| Amortization | 101 | 128 |
| Provision for investment losses | 3,771 | 1,360 |
| | 12,255 | 10,467 |
| Net change in non-cash working capital balances related to operations | 4,427 | 3,357 |
| Cash provided by operating activities | 16,682 | 13,824 |
| **INVESTING ACTIVITIES** | | |
| Increase in debentures and loans receivable | (1,672) | (6,967) |
| Debenture and loan repayments received | 1,947 | 189,106 |
| Purchase of assets from CIC (Note 5(d)) | (16,226) | |
| Purchase of investments | (55,898) | (11,767) |
| Proceeds from sale of investments | 2,513 | 217,502 |
| Cash (used in) provided by investing activities | (69,336) | 387,874 |
| **FINANCING ACTIVITIES** | | |
| Increase (decrease) in due to CIC | 52,654 | (401,698) |
| Cash provided by (used in) financing activities | 52,654 | (401,698) |
| **NET CHANGE IN CASH** | - | |
| **CASH POSITION, BEGINNING OF YEAR** | - | |
| **CASH POSITION, END OF YEAR** | $ - | $ |

(See accompanying notes)

## CIC Industrial Interests Inc.
## Non-Consolidated Statement of Cash Flows

**For the Year Ended December 31**

(thousands of dollars)

| | 1999 |
|---|---|
| **OPERATING ACTIVITIES** | |
| Net income | $ 43,299 |
| Dividends received from equity investments | 3,211 |
| Add (deduct) non-cash items: | |
| Loss (gain) on sale of investments | (30,597) |
| Earnings from equity investments | (6,934) |
| Amortization | 128 |
| Provision for investment losses | 1,360 |
| | 10,467 |
| Net change in non-cash working capital balances related to operations | 3,357 |
| Cash provided by operating activities | 13,824 |
| **INVESTING ACTIVITIES** | |
| Increase in debentures and loans receivable | (6,967) |
| Debenture and loan repayments received | 189,106 |
| Purchase of assets from CIC (Note 5(d)) | - |
| Purchase of investments | (11,767) |
| Proceeds from sale of investments | 217,502 |
| Cash (used in) provided by investing activities | 387,874 |
| **FINANCING ACTIVITIES** | |
| Increase (decrease) in due to CIC | (401,698) |
| Cash provided by (used in) financing activities | (401,698) |
| **NET CHANGE IN CASH** | - |
| **CASH POSITION, BEGINNING OF YEAR** | - |
| **CASH POSITION, END OF YEAR** | $ - |

(See accompanying notes)

## 1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements are prepared by management within reasonable limits of materiality using the accounting policies summarized below:

### a) Basis of presentation

CIC Industrial Interests Inc. (the Corporation) is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC) as discussed in Note 2. These financial statements are prepared on a non-consolidated basis for the specific purpose of illustrating the financial position and results of operations of the corporate entity only. For further information, readers should refer to the annual consolidated financial statements of CIC.

### b) Advances, debentures, loans and mortgages receivable

The Corporation records advances, debentures, loans and mortgages receivable at cost. When there is a decline in the value of an advance, debenture, loan or mortgage receivable, the asset is written down to its estimated net realizable value.

The Corporation recognizes interest earned on debentures, loans and mortgages receivable on the accrual basis except when collection is uncertain.

When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

### c) Investments - equity basis

The Corporation accounts for investments in its subsidiaries, CIC Pulp Ltd., Saskatchewan Valley Potato Corporation, 101012875 Saskatchewan Ltd., Genex Swine Group Inc., and CIC Foods Inc., using the equity method. The carrying value of the Corporation's investment is adjusted for the Corporation's proportionate share of the subsidiaries' net earnings or losses and decreased by dividends received. The Corporation also uses the equity method to account for other investments it significantly influences.

The Corporation's investments in CIC Pulp Ltd., Saskatchewan Valley Potato Corporation, and FarmGro Organics Foods Inc. consist of equity and debt instruments. Where there is a decline in the value of a debt instrument that is not considered temporary, the instrument is written down to its estimated net realizable value.

### d) Investments - cost basis

The Corporation records long-term investments in corporations not subject to significant influence at cost. When there is a decline in value of an investment that is not considered to be temporary, the investment is written down to its estimated net realizable value. Dividends from these investments are recorded as income when receivable.

## 1. Summary of Significant Accounting Policies (continued)

### e) Investments - properties

The Corporation records rental properties at the lower of amortized cost and estimated net recoverable value.

Properties held for sale are recorded at the lower of cost and net realizable value.

### f) Amortization

Amortization on rental properties is calculated using an increasing charge method whereby the assets are amortized over 25 years, assuming an interest cost of 8%.

### g) Fair value of short-term financial instruments

For certain of the Corporation's financial instruments including:

i) interest and accounts receivable;
ii) accounts payable; and,
iii) due to CIC,

the carrying amounts approximate fair value due to their immediate or short-term maturity.

## 2. Status of the Corporation

CIC Industrial Interests Inc. was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979, as a wholly-owned subsidiary of CIC, a Provincial Crown corporation. The Corporation is not subject to Federal or Provincial income taxes by virtue of this ownership. The CIC consolidated financial statements include the financial results of the Corporation and its subsidiaries.

### 3. Debentures and Loans Receivable

(thousands of dollars)

| | | 1999 |
|---|---|---|
| **Cornwall Centre Mortgages:** | | |
| Mortgages receivable (a) | | |
| Cornwall Centre Phase I | | $ 29,390 |
| Cornwall Centre Phase II | | 7,501 |
| | | 36,891 |
| **Canadian Western Bank:** | | |
| Debenture (b) | | 3,126 |
| **XL Foods Inc.:** | | |
| Loan receivable (c) | | - |
| **Other Loans:** | | |
| Loan principal receivable (d) | | 19,482 |
| Loan interest and costs receivable | | 220 |
| Lease options (net of unearned income) | | 2,734 |
| Less: Provision for loan losses | | (13,975) |
| | | 8,461 |
| | | $ 48,478 |

a) The Corporation holds two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. This financing was provided in two phases to aid in the construction and development of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Phase I is a 9 5/8% mortgage repayable in monthly blended instalments of $289,177 compounded semi-annually. Phase II is an 11 5/8% mortgage repayable in monthly blended instalments of $79,866 compounded semi-annually. Both mortgages mature December 1, 2001.

b) The Corporation holds a $3.1 million non-convertible debenture in the Canadian Western Bank that matures June 26, 2007. The debenture earns 6.59% annually to June 27, 2002, and a rate equal to the 90 day Bankers' Acceptance rate plus 1% annually thereafter. Interest is paid semi-annually. This debenture is redeemable by Canadian Western Bank anytime on or after June 30, 2002 at par plus accrued interest.

c) The Corporation holds a $1.6 million loan receivable from XL Foods Inc. This financing was provided in the aid of XL Foods Inc.'s purchase of Western Canadian Beef Packers Inc. from the Corporation. The loan earns 6.75% annually calculated monthly. Interest is paid monthly and the principal is payable in instalments beginning May 1, 2002.

## 3. Debentures and Loans Receivable

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **Cornwall Centre Mortgages:** | | |
| Mortgages receivable (a) | | |
| Cornwall Centre Phase I | $ 28,662 | $ 29,390 |
| Cornwall Centre Phase II | 7,388 | 7,501 |
| | 36,050 | 36,891 |
| **Canadian Western Bank:** | | |
| Debenture (b) | 3,126 | 3,126 |
| **XL Foods Inc.:** | | |
| Loan receivable (c) | 1,564 | |
| **Other Loans:** | | |
| Loan principal receivable (d) | 18,780 | 19,482 |
| Loan interest and costs receivable | 205 | 220 |
| Lease options (net of unearned income) | 2,578 | 2,734 |
| Less: Provision for loan losses | (15,280) | (13,975) |
| | 6,283 | 8,461 |
| | $ 47,023 | $ 48,478 |

a) The Corporation holds two mortgages due jointly from Cadillac Fairview Corporation Limited and 1381052 ONTARIO INC. This financing was provided in two phases to aid in the construction and development of the Cornwall Centre Shopping Mall Complex located in Regina, Saskatchewan. Phase I is a 9 5/8% mortgage repayable in monthly blended instalments of $289,177 compounded semi-annually. Phase II is an 11 5/8% mortgage repayable in monthly blended instalments of $79,866 compounded semi-annually. Both mortgages mature December 1, 2001.

b) The Corporation holds a $3.1 million non-convertible debenture in the Canadian Western Bank that matures June 26, 2007. The debenture earns 6.59% annually to June 27, 2002, and a rate equal to the 90 day Bankers' Acceptance rate plus 1% annually thereafter. Interest is paid semi-annually. This debenture is redeemable by Canadian Western Bank anytime on or after June 30, 2002 at par plus accrued interest.

c) The Corporation holds a $1.6 million loan receivable from XL Foods Inc. This financing was provided in the aid of XL Foods Inc.'s purchase of Western Canadian Beef Packers Inc. from the Corporation. The loan earns 6.75% annually calculated monthly. Interest is paid monthly and the principal is payable in instalments beginning May 1, 2002.

### 3. Debentures and Loans Receivable (continued)

d) The loan portfolio primarily consists of mortgage backed loans with various interest rates ranging from 0% to 15.75%. Maturities on these loans extend to the year 2012.

e) Debentures and loans receivable maturing in 2001 total $36.6 million (2000 - $1.8 million).

f) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately $48.9 million (1999 - $54.2 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, and may not represent the exact amount that could be realized upon settlement.

g) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

### 4. Investment - HARO Financial Corporation

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Term loan (a) | $ 355,845 | $ 333,381 |
| Interest receivable on Term Loan | 2,875 | 7,398 |
| Less: Deferred interest | (153,678) | (136,039) |
| | 205,042 | 204,740 |
| 68,000,000 Class B non-voting common shares (b) | 68,000 | 68,000 |
| | $ 273,042 | $ 272,740 |

a) The Corporation has advanced in total $273.0 million (1999 - $272.7 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert $68.0 million of this Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO.

### 3. Debentures and Loans Receivable (continued)

d) The loan portfolio primarily consists of mortgage backed loans with various interest rates ranging from 0% to 15.75%. Maturities on these loans extend to the year 2012.

e) Debentures and loans receivable maturing in 2001 total $36.6 million (2000 - $1.8 million).

f) Fair value of debentures and loans receivable

Fair values approximate the amounts at which financial instruments could be exchanged between willing parties. The total fair value of the loan portfolio is approximately $48.9 million (1999 - $54.2 million). This estimate was determined by discounting expected future cash flows using discount rates that reflect the risk inherent in the financial instrument, and may not represent the exact amount that could be realized upon settlement.

g) Credit risk

All outstanding loans are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation yearly and all non-performing loans are included in the provision for loan losses.

### 4. Investment - HARO Financial Corporation

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Term loan (a) | [illegible] | $ 333,381 |
| Interest receivable on Term Loan | [illegible] | 7,398 |
| Less: Deferred interest | [illegible] | (136,039) |
| | [illegible] | 204,740 |
| 68,000,000 Class B non-voting common shares (b) | [illegible] | 68,000 |
| | [illegible] | $ 272,740 |

a) The Corporation has advanced in total $273.0 million (1999 - $272.7 million) to HARO Financial Corporation (HARO) since 1992 to finance its ownership interest in Crown Life Insurance Company (Crown Life). In 1995, the Corporation exercised its right to convert $68.0 million of this Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO.

**4. Investment - HARO Financial Corporation (continued)**

The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a second five-year term in 1998. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate plus 1%. For the second five-year term, the interest rate on the loan is 6.64% (1999 - 6.64%) compounded annually.

Security for the Term Loan is 100% of HARO's assets, which as of December 31, 2000 consist primarily of HARO's 64.5% interest in Crown Life shares. On January 1, 1999, The Canada Life Assurance Company acquired all of Crown Life's Canadian insurance business, substantially all of its non-Canadian reinsurance business as well as various international insurance operations. Although Crown Life's operations have significantly changed as a result of this transaction, it retained approximately $1.4 billion in assets, primarily North American mortgages and real estate, as well as certain U.S. insurance operations and Canadian reinsurance business. These assets and operations will continue to be managed by Crown Life out of Regina, Saskatchewan.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. It should be noted that HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. HARO made a payment of $5.0 million in 2000. The Corporation's total interest deferred and owing at December 31, 2000, is $153.7 million (1999 - $136.0 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100% of HARO equity shares. The Corporation has a unilateral right, prior to December 15, 2017, to convert no less than 25% of the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval by the Office of the Superintendent of Financial Institutions.

b) Ownership of the 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100% of participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

Crown Life has approximately $503 million in net assets subsequent to its sale of its Canadian insurance business to The Canada Life Assurance Company. Since this sale significantly changed Crown Life's business and the industry in which it operates, it is not practicable to determine the fair value of the Corporation's investment in HARO with any sufficient reliability.

## 5. Investments - Equity Basis

(thousands of dollars)

| | Percentage Ownership | 2000 | 1999 |
|---|---|---|---|
| **CIC Pulp Ltd. (a):** | | | |
| 100 (1999 - 100) common shares | | | |
| Cost $100 (1999 - $100) | 100.0% | $ (47,923) | $ (65,635) |
| Due from CIC Pulp Ltd. | | 15,926 | 14,805 |
| Millar Western Pulp (Meadow Lake) Ltd.: | | | |
| 50 (1999 - 50) common shares | | | |
| Cost $49 (1999 - $49) | 50.0% | - | - |
| Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP): | | | |
| Participating Debenture | | 159,000 | 159,000 |
| Interest Loan | | 261,378 | 219,190 |
| Term Loan | | 20,000 | 20,000 |
| Contingency Loan | | 13,408 | 12,408 |
| Guarantee Advance | | 9,634 | 8,000 |
| Cash Flow Loan | | 12,100 | 10,500 |
| Accrued interest | | 8,310 | 9,019 |
| Less: Deferred interest | | (275,469) | (229,756) |
| Provision for loan losses | | (60,000) | (60,000) |
| | | 116,364 | 97,531 |
| **Saskferco Products Inc. (Saskferco) (b):** | | | |
| 68,449,080 (1999 - 68,449,080) Class B common shares | | | |
| Cost $68,449,080 (1999 - $68,449,080) | 49.0% | 106,079 | 103,014 |
| **CIC Foods Inc. (c):** | | | |
| 100 (1999 - Nil) common shares | | | |
| Cost $100 (1999 - Nil) | 100.0% | (61) | - |
| Due from CIC Foods Inc. | | 20,000 | - |
| | | 19,939 | - |
| **Saskatchewan Valley Potato Corporation (SVPC) (d):** | | | |
| 100 (1999 - Nil) common shares | | | |
| Cost $16,216,499 (1999 - Nil) | 100.0% | 15,416 | - |
| Due from SVPC | | 647 | - |
| | | 16,063 | - |

**5. Investments - Equity Basis (continued)**
(thousands of dollars)

| | Percentage Ownership | 2000 | 1999 |
|---|---|---|---|
| **Big Sky Farms Inc. (Big Sky) (e):** | | | |
| 3,750,000 (1999 - Nil) convertible preferred shares | | | |
| Cost $15,000,000 (1999 - Nil) | 40.1% | 15,132 | |
| **101012875 Saskatchewan Ltd. (f):** | | | |
| 1,928,572 (1999 - Nil) common shares | | | |
| Cost $1,928,572 (1999 - Nil) | 64.3% | 1,929 | |
| **Genex Swine Group Inc. (Genex) (g):** | | | |
| 3,177,347 (1999 - 2,715,450) Class A common shares | | | |
| Cost $3,647,586 (1999 - $4,686,328) | 85.4% | | |
| 1,662,500 (1999 - 1,044,000) Class B preferred shares | | | |
| Cost $3,325,000 (1999 - $2,088,000) | | 9,957 | 8,499 |
| **FarmGro Organic Foods Inc. (FarmGro) (h):** | | | |
| 1,615,314 (1999 - 1,250,000) Class B voting preferred shares | | | |
| Cost $1,588,907 (1999 - $1,250,000) | 27.7% | 607 | 1,250 |
| Due from FarmGro | | 3,150 | 2,031 |
| | | 3,757 | 3,281 |
| **Western Canadian Beef Packers Inc. (WCBP) (i):** | | | |
| Nil (1999 - 60,000) Class A common shares | | | |
| Cost Nil (1999 - $1,800,000) | | | |
| Nil (1999 - 40,000) Class F common shares | | | |
| Cost Nil (1999 - $2,800,000) | | - | (1,958) |
| **SGI Canada Insurance Services Ltd.:** | | | |
| 320,100 (1999 - 320,100) Class A common shares | | | |
| Cost $2,000,100 (1999 - $2,000,100) | 27.0% | 2,068 | 2,270 |
| | | $ 291,288 | $ 212,647 |

## 5. Investments - Equity Basis

(thousands of dollars)

| | Percentage Ownership | | 1999 |
|---|---|---|---|
| **CIC Pulp Ltd. (a):** | | | |
| 100 (1999 - 100) common shares | | | |
| Cost $100 (1999 - $100) | 100.0% | | $ (65,635) |
| Due from CIC Pulp Ltd. | | | 14,805 |
| Millar Western Pulp (Meadow Lake) Ltd.: | | | |
| 50 (1999 - 50) common shares | | | |
| Cost $49 (1999 - $49) | 50.0% | | - |
| Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP): | | | |
| Participating Debenture | | | 159,000 |
| Interest Loan | | | 219,190 |
| Term Loan | | | 20,000 |
| Contingency Loan | | | 12,408 |
| Guarantee Advance | | | 8,000 |
| Cash Flow Loan | | | 10,500 |
| Accrued interest | | | 9,019 |
| Less: Deferred interest | | | (229,756) |
| Provision for loan losses | | | (60,000) |
| | | | 97,531 |
| **Saskferco Products Inc. (Saskferco) (b):** | | | |
| 68,449,080 (1999 - 68,449,080) Class B common shares | | | |
| Cost $68,449,080 (1999 - $68,449,080) | 49.0% | | 103,014 |
| **CIC Foods Inc. (c):** | | | |
| 100 (1999 - Nil) common shares | | | |
| Cost $100 (1999 - Nil) | 100.0% | | - |
| Due from CIC Foods Inc. | | | - |
| | | | - |
| **Saskatchewan Valley Potato Corporation (SVPC) (d):** | | | |
| 100 (1999 - Nil) common shares | | | |
| Cost $16,216,499 (1999 - Nil) | 100.0% | | - |
| Due from SVPC | | | - |
| | | | - |

**5. Investments - Equity Basis (continued)**
(thousands of dollars)

| | Percentage Ownership | | 1999 |
|---|---|---|---|
| **Big Sky Farms Inc. (Big Sky) (e):** | | | |
| 3,750,000 (1999 - Nil) convertible preferred shares | | | |
| Cost $15,000,000 (1999 - Nil) | 40.1% | | - |
| **101012875 Saskatchewan Ltd. (f):** | | | |
| 1,928,572 (1999 - Nil) common shares | | | |
| Cost $1,928,572 (1999 - Nil) | 64.3% | | - |
| **Genex Swine Group Inc. (Genex) (g):** | | | |
| 3,177,347 (1999 - 2,715,450) Class A common shares | | | |
| Cost $3,647,586 (1999 - $4,686,328) | 85.4% | | |
| 1,662,500 (1999 - 1,044,000) Class B preferred shares | | | |
| Cost $3,325,000 (1999 - $2,088,000) | | | 8,499 |
| **FarmGro Organic Foods Inc. (FarmGro) (h):** | | | |
| 1,615,314 (1999 - 1,250,000) Class B voting preferred shares | | | |
| Cost $1,588,907 (1999 - $1,250,000) | 27.7% | | 1,250 |
| Due from FarmGro | | | 2,031 |
| | | | 3,281 |
| **Western Canadian Beef Packers Inc. (WCBP) (i):** | | | |
| Nil (1999 - 60,000) Class A common shares | | | |
| Cost Nil (1999 - $1,800,000) | | | |
| Nil (1999 - 40,000) Class F common shares | | | |
| Cost Nil (1999 - $2,800,000) | - | | (1,958) |
| **SGI Canada Insurance Services Ltd.:** | | | |
| 320,100 (1999 - 320,100) Class A common shares | | | |
| Cost $2,000,100 (1999 - $2,000,100) | 27.0% | | 2,270 |
| | | $ | 212,637 |

**5. Investments - Equity Basis (continued)**

a) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50% interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

The Corporation's loans to MLPLP include the:

- Participating Debenture which bears interest at 11.15% calculated annually on October 31.
- Term Loan which bears interest at prime plus 2%, or 9.5%, at December 31, 2000 (1999 - 8.5%). Interest on this loan is paid monthly.
- Contingency Loan which bears interest at prime plus 1%, or 8.5%, at December 31, 2000 (1999 - 7.5%). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.
- Guarantee Advance which bears interest at prime plus 1%, or 8.5%, at December 31, 2000 (1999 - 7.5%).
- Cash Flow Loan which bears interest at prime plus 1%, or 8.5%, at December 31, 2000 (1999 - 7.5%).

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15%, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan.

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 5.63% at December 31, 2000 (1999 - 5.02%), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

**5. Investments - Equity Basis (continued)**

During the year, CIC continued to work with MLPLP's other major lender, the Canadian Imperial Bank of Commerce (CIBC), to financially restructure MLPLP. This restructuring began in 1998 with CIC providing MLPLP an $8.0 million advance related to loan guarantees and $5.0 million to fund cash flow deficiencies. Ownership of these loans was transferred to the Corporation in exchange for a $13.0 million increase in non-interest bearing advances due to CIC. Interest on this Guarantee Advance and all cash flow loans will be deferred until collection is reliably certain. Repayment terms will be determined once the financial restructuring of MLPLP is complete.

In 1999, CIC funded MLPLP cash flow deficiencies of $5.5 million and once again transferred ownership to the Corporation in exchange for a corresponding increase in the due to CIC account. Other developments relating to the MLPLP financial restructuring include: an agreement between CIC and the CIBC obligating CIC to reduce MLPLP's bank loan to a level acceptable to the CIBC by April 30, 2001; and, a commitment by CIC to continue to fund any cash flow deficiencies encountered by MLPLP until April 30, 2001.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by the operation of the pulp mill. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation believes its loans to MLPLP are properly valued as at December 31, 2000. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

b) The Corporation holds a 49% interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

c) On August 29, 2000, the Corporation, through its wholly-owned subsidiary CIC Foods Inc., purchased 35% interest in a partnership owning 100% of Centennial Foods (Centennial). Under the terms of the partnership agreement, Centennial 2000 Inc. transferred the operating assets and liabilities to the partnership at estimated fair market value, resulting in a net capital contribution of $37.1 million for a 65% interest in the partnership. The Corporation injected cash of $20.0 million for a 35% interest in the partnership.

The Corporation's partnership agreement includes a provision that allows Centennial 2000 Inc. to withdraw capital to pay any tax liabilities resulting from its ownership of Centennial. The Corporation does not have matching capital withdrawal rights. As a result the Corporation is treating Centennial 2000 Inc.'s capital withdrawal as a priority distribution and charging income with the Corporation's 35% contribution to Centennial 2000 Inc.

Included in Centennial's financial statements are liabilities owing to Centennial 2000 Inc. due to certain tax liabilities agreed to be paid by Centennial. The establishment of these liabilities is based on known facts and interpretation of circumstances. As a result the recorded amount of these liabilities could change in the near future.

Centennial's year end was October 29, 2000. Results for Centennial contained in these financial statements include operations from its date of inception, August 29, 2000, to its year end October 29, 2000.

**5. Investments - Equity Basis (continued)**

d) On June 30, 2000 the Corporation transferred $16.2 million in potato storage and development assets (transferred at book value from CIC) to SVPC in return for 100% of its outstanding common shares. SVPC's mandate is to provide potato production and storage services. In addition, the Corporation provides SVPC with a line of credit not to exceed $2.0 million, due on demand, and bears interest at Bank of Montreal prime less 0.75% which was 6.75% on December 31, 2000. At December 31, 2000, SVPC has $647.1 thousand outstanding on their credit line.

e) On July 6, 2000, the Corporation purchased 2,119,565 convertible voting preferred shares of Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan, for $8.5 million. The Corporation made a further investment on November 20, 2000 of 1,630,435 convertible voting preferred shares for $6.5 million. At December 31, 2000, the Corporation holds 40.1% of the voting shares of Big Sky.

The preferred shares have an annual cumulative dividend of 5% for the first five years from the date of issue, thereafter, a 10% cumulative dividend rate.

The preferred shares may be converted to common shares by the owner anytime in the first five years from date of issue. Furthermore, the preferred shares are retractable or redeemable after seven years from the issue date.

The Corporation holds an option to acquire additional convertible voting preferred shares at a rate of one share for every 10 shares held.

f) On October 13, 2000, the Corporation purchased 64.3% of 101012875 Saskatchewan Ltd. The remaining 35.7% of 101012875 Saskatchewan Ltd. was purchased by Saskatchewan Opportunities Corporation, a related company.

On October 13, 2000, the Corporation, through its subsidiary 101012875 Saskatchewan Ltd., entered into a partnership agreement with Royal Bank Financial Group and SGF Soquin Inc. to create Foragen Technologies Management Inc. (Foragen), a venture capital fund which will offer seed capital to technology corporations. 101012875 Saskatchewan Ltd. will own 33.3% of Foragen and has committed to providing $14.0 million in equity to Foragen over the next five years. The Corporation's portion of responsibility for providing funding to 101012875 Saskatchewan Ltd. is $9.0 million. At December 31, 2000, the Corporation has provided $1.9 million of this commitment.

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20 Victoria Street
Toronto, Ontario M5C 2N8
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5. Investments - Equity Basis (continued)

g) The Corporation increased its ownership in the Class A common shares of Genex, a swine genetics company located in Regina, Saskatchewan to 85.4% (1999 - 82.1%) at a cost of $0.2 million in 2000. In addition, the Corporation holds 86.2% (1999 - 79.7%) of the Class B non-voting preferred shares of Genex which bear a cumulative dividend of 8% per annum payable quarterly. These preferred shares are convertible to common shares on a one-for-one basis.

During the year, the Corporation settled a dispute with Genex regarding the issuance of shares in the prior year. The settlement resulted in an issuance of an additional 412,333 Class A common shares and 618,500 Class B shares to the Corporation for no additional consideration. Based on the subscription agreement, the issuance of additional Class B preferred shares resulted in $1,237,000 of stated capital being transferred from the Class A common shares to the Class B preferred shares.

h) The Corporation holds 1,615,314 (1999 - 1,250,000) Class B voting 7% cumulative preferred shares of FarmGro Organic Foods Inc. (FarmGro) located near Regina, Saskatchewan. The preferred shares owned by the Corporation have voting rights and represent a 27.7% (1999 - 30.9%) interest in FarmGro. After completion of FarmGro's fourth year of operations, the Corporation has the right to request redemption of up to 25% of its shareholdings.

The Corporation also provided $3.2 million (1999 - $2.0 million) of debt financing to FarmGro. This loan is repayable on demand and bears interest at 10% calculated and payable monthly.

i) On March 31, 2000 the Corporation sold its wholly-owned subsidiary Western Canadian Beef Packers Inc. to XL Foods Inc. for net proceeds of $1.2 million creating a loss on sale of $3.6 million.

j) Earnings (losses) from equity investments are as follows (thousands of dollars):

| | | 1999 |
|---|---|---|
| CIC Pulp Ltd. | $ [illegible] | $ 10,605 |
| Saskferco Products Inc. | [illegible] | (2,191) |
| CIC Foods Inc. | [illegible] | - |
| Saskatchewan Valley Potato Corporation | [illegible] | - |
| Big Sky Farms Inc. | [illegible] | - |
| 101012875 Saskatchewan Ltd. | [illegible] | - |
| Genex Swine Group Inc. | [illegible] | 321 |
| FarmGro Organic Foods Inc. | [illegible] | - |
| SGI CANADA Insurance Services Ltd. | [illegible] | 51 |
| CIC Forest Products Ltd. | [illegible] | 3,038 |
| Western Canadian Beef Packers Inc. | [illegible] | (4,890) |
| | $ [illegible] | $ 6,934 |

## 5. Investments - Equity Basis (continued)

g) The Corporation increased its ownership in the Class A common shares of Genex, a swine genetics company located in Regina, Saskatchewan to 85.4% (1999 - 82.1%) at a cost of $0.2 million in 2000. In addition, the Corporation holds 86.2% (1999 - 79.7%) of the Class B non-voting preferred shares of Genex which bear a cumulative dividend of 8% per annum payable quarterly. These preferred shares are convertible to common shares on a one-for-one basis.

During the year, the Corporation settled a dispute with Genex regarding the issuance of shares in the prior year. The settlement resulted in an issuance of an additional 412,333 Class A common shares and 618,500 Class B shares to the Corporation for no additional consideration. Based on the subscription agreement, the issuance of additional Class B preferred shares resulted in $1,237,000 of stated capital being transferred from the Class A common shares to the Class B preferred shares.

h) The Corporation holds 1,615,314 (1999 - 1,250,000) Class B voting 7% cumulative preferred shares of FarmGro Organic Foods Inc. (FarmGro) located near Regina, Saskatchewan. The preferred shares owned by the Corporation have voting rights and represent a 27.7% (1999 - 30.9%) interest in FarmGro. After completion of FarmGro's fourth year of operations, the Corporation has the right to request redemption of up to 25% of its shareholdings.

The Corporation also provided $3.2 million (1999 - $2.0 million) of debt financing to FarmGro. This loan is repayable on demand and bears interest at 10% calculated and payable monthly.

i) On March 31, 2000 the Corporation sold its wholly-owned subsidiary Western Canadian Beef Packers Inc. to XL Foods Inc. for net proceeds of $1.2 million creating a loss on sale of $3.6 million.

j) Earnings (losses) from equity investments are as follows:
(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| CIC Pulp Ltd. | $ 17,712 | $ [illegible] |
| Saskferco Products Inc. | 3,065 | [illegible] |
| CIC Foods Inc. | (61) | |
| Saskatchewan Valley Potato Corporation | (801) | |
| Big Sky Farms Inc. | 374 | |
| 3010128 Saskatchewan Ltd. | - | |
| Genex Swine Group Inc. | 1,478 | [illegible] |
| FarmGro Organic Foods Inc. | (682) | |
| SGI CANADA Insurance Services Ltd. | (202) | [illegible] |
| CIC Forest Products Ltd. | - | [illegible] |
| Western Canadian Beef Packers Inc. | (2,999) | [illegible] |
| | $ 17,884 | $ [illegible] |

## 6. Investments - Cost Basis

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| BIOSTAR Inc. | $ 2,580 | $ 4,772 |
| Primaxis Technology Ventures Incorporated | 5,000 | - |
| Other | 2,695 | 3,194 |
| | $ 10,275 | $ 7,966 |

## 7. Investments - Properties

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Property held for sale | $ 6,775 | $ 6,721 |
| Rental properties | 4,076 | 4,769 |
| | 10,851 | 11,490 |
| Less: Accumulated amortization | 2,013 | 1,833 |
| | $ 8,838 | $ 9,657 |

## 8. Due to Crown Investments Corporation of Saskatchewan

Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand.

## 9. Share Capital

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **Authorized** | | |
| Unlimited shares with no par value | | |
| **Issued and outstanding** | | |
| 34,000,000 shares (1999 - 34,000,000) | $ 340,000 | $ 340,000 |

## 10. Commitments and Contingencies

a) The Corporation assumed responsibility for the Community Bonds Program in 1997. The remaining guarantees under this program amount to $1.8 million (1999 - $1.8 million).

### 10. Commitments and Contingencies (continued)

b) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The Corporation has accrued $2.7 million (1999 - $3.0 million) to carry out the clean-up activities.

c) The Corporation has guaranteed SVPC's mortgage debt due to the CIBC. At December 31, 2000, the Corporation's exposure to this guarantee is $5.4 million.

### 11. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Category (as per financial statements) | | |
| Interest and accounts receivable | $ 67 | $ 277 |
| Accounts payable | 8 | – |
| Interest, rental and other revenue | 1,852 | 1,744 |
| Property expense | 105 | 158 |

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services to the Corporation without charge.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

## 6. Investments - Cost Basis

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| BIOSTAR Inc. | [illegible] | $ 4,772 |
| Primaxis Technology Ventures Incorporated | [illegible] | - |
| Other | [illegible] | 3,194 |
| | [illegible] | $ 7,966 |

## 7. Investments - Properties

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| Property held for sale | [illegible] | $ 6,721 |
| Rental properties | [illegible] | 4,769 |
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| Less: Accumulated amortization | [illegible] | 1,833 |
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## 9. Share Capital

(thousands of dollars)

| | 2000 | 1999 |
|---|---|---|
| **Authorized** | | |
| Unlimited shares with no par value | | |
| **Issued and outstanding** | | |
| 34,000,000 shares (1999 - 34,000,000) | [illegible] | $ 340,000 |

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a) The Corporation assumed responsibility for the Community Bonds Program in 1997. The remaining guarantees under this program amount to $1.8 million (1999 - $1.8 million).

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Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands of dollars):

| | | 1999 |
|---|---|---|
| Category (as per financial statements) | | |
| Interest and accounts receivable | $ | 277 |
| Accounts payable | | 7 |
| Interest, rental and other revenue | | 1,744 |
| Property expense | | 158 |

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

CIC provides management services to the Corporation without charge.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

## 12. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of MLPLP through CIC Pulp Ltd. and Centennial Foods Partnership through CIC Foods Inc. The Corporation's pro rata share of its interest in these joint ventures is as follows (thousands of dollars):

| | 2000 | 1999 |
|---|---|---|
| Current assets | $ 53,981 | $ 37,794 |
| Long-term assets | 151,930 | 144,072 |
| Current liabilities | 28,597 | 33,067 |
| Long-term liabilities | 41,011 | 52,693 |
| Equity | 136,303 | 96,106 |
| Revenue | 104,497 | 73,167 |
| Expenses | 85,561 | 61,515 |
| Net earnings | 18,936 | 11,652 |
| Cash flows from operating activities | 52,133 | 3,717 |
| Cash flows from investing activities | 1,048 | (140) |
| Cash flows from financing activities | (19,270) | (5,472) |

## 13. Comparative Figures

The non-consolidated financial statements as at December 31, 1999, and for the year then ended were audited by other auditors who expressed an opinion that the non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999, except they are prepared on a non-consolidated basis, in their report dated March 10, 2000.

Certain of the 1999 comparative figures have been reclassified to conform with the current year's presentation.

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| | 2000 | 1999 |
|---|---|---|
| Current assets | [illegible] | $ 37,794 |
| Long-term assets | [illegible] | 144,072 |
| Current liabilities | [illegible] | 33,067 |
| Long-term liabilities | [illegible] | 52,693 |
| Equity | [illegible] | 96,106 |
| Revenue | [illegible] | 73,167 |
| Expenses | [illegible] | 61,515 |
| Net earnings | [illegible] | 11,652 |
| Cash flows from operating activities | [illegible] | 3,717 |
| Cash flows from investing activities | [illegible] | (140) |
| Cash flows from financing activities | [illegible] | (5,472) |

## 13. Comparative Figures

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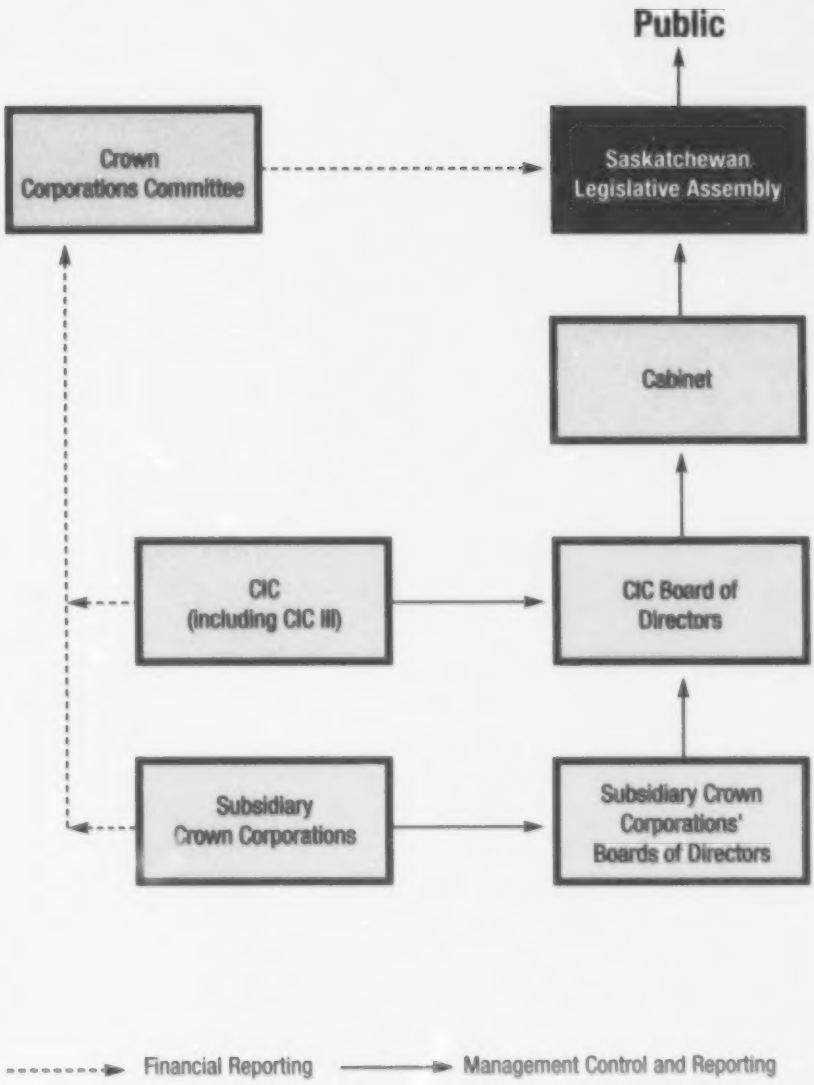
## Accountability Structure



## Governance

The CIC Board is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. The CIC Board consists of seven members of the Provincial Cabinet appointed to the CIC Board by the Lieutenant Governor in Council. The CIC Board is a key Cabinet committee performing a liaison function between Cabinet and Crown corporations, making decisions in its own right, and forwarding recommendations to Cabinet for consideration. The CIC Board met 27 times during 2000.

**The CIC Board:**

- approves CIC's strategic direction, and operating plans and budgets proposed by CIC management;
- monitors and evaluates the performance of subsidiary Crown corporations;
- allocates capital within the Crown sector;
- approves acquisition, sale and changes to the terms and conditions of major investments;
- monitors the performance of CIC's investments; and,
- approves CIC's annual financial statements.

The CIC Board has one subcommittee, the Audit and Finance Committee. This subcommittee consists of three members of the CIC Board.

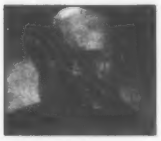
**The Audit and Finance Committee:**

- reviews CIC's annual financial statements and reports thereon to the CIC Board before approval is given;
- meets with CIC's external auditor and the Provincial Auditor, without management present, to consider their concerns; and,
- reviews the operation of internal controls and financial reporting systems with management.

**CIC Management:**

- serves as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made, and helps to develop policy on Crown corporation and investment matters;
- serves as staff to the Audit and Finance Committee;
- serves as the CIC Board's communications link with investment partners and Crown boards and management;
- co-ordinates the implementation of policy within the Crown sector;
- manages CIC's operations; and,
- monitors CIC's business environment.

## Crown Investments Corporation of Saskatchewan
## Board of Directors
(at December 31, 2000)



**Honourable John Nilson, Q.C.**
Minister of Crown Investments Corporation
Chair

**Honourable Janice MacKinnon**
Minister of Economic and Co-operative Development
Vice-Chair

**Honourable Jack Hillson**
Minister of Intergovernmental and Aboriginal Affairs
Member*

**Honourable Eldon Lautermilch**
Minister of Energy and Mines
Member*

**Honourable Maynard Sonntag**
Minister of Highways and Transportation
Member

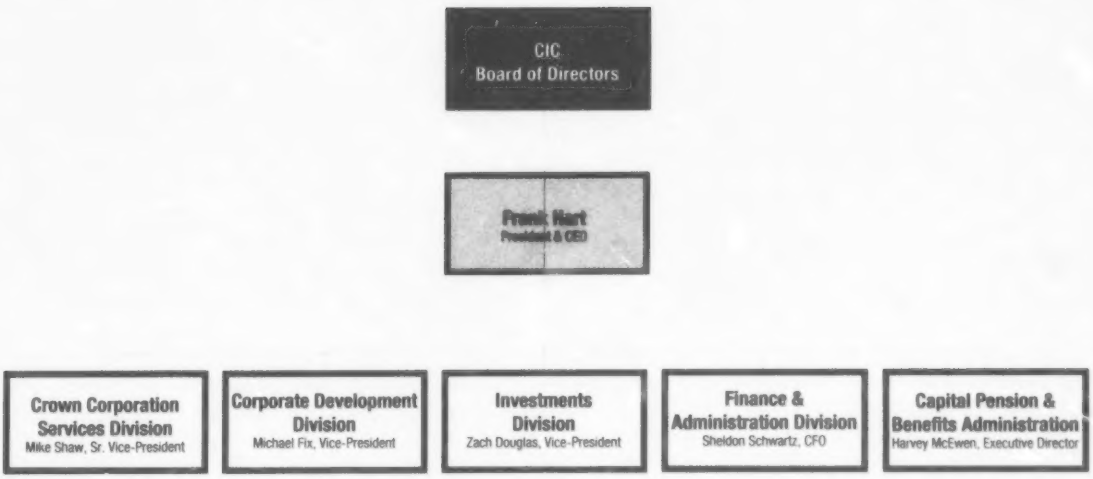
**Honourable Clay Serby**
Minister of Agriculture and Food
Member*

## Former Member

**Honourable Dwain Lingenfelter**
Deputy Premier and Minister of Agriculture and Food
Member (January 1 to July 10)

* Audit and Finance Committee Member (January 27 to December 31)

## Organizational Structure




At December 31, 2000, CIC had staff of 73 in its six divisions.

The ***President's Office*** is responsible for the overall direction of CIC. Included in the President's Office are the General Counsel and Corporate Secretary functions. This division has six employees.

The ***Crown Corporation Services Division*** develops and implements policy for the Crown corporation sector. In addition to providing corporate secretariat services for Crown boards of directors, this division provides sector policy direction, develops and implements the Crown performance management system, provides corporate management services and practices, and provides business analysis on matters requiring CIC Board and/or Cabinet approval. The division is responsible for coordinating the development of a strategic plan for the Crown sector and CIC, as well as the development of an integrated CIC business plan. It takes a broad, long-term view of emerging issues affecting CIC and the Crown sector from an economic, fiscal and public policy perspective. Human Resources and Communications are separate units within CIC which report to the Senior Vice President of Crown Corporation Services. Including these units, the Crown Corporation Services division has 22 employees.

The ***Finance and Administration Division*** provides sector-wide financial reporting and forecasting, and financial analysis to the Board on CIC and Crown corporation financial performance targets and capital budgets. The division is responsible for managing CIC's budget, financial transactions, cash and debt positions and dividend policy. It also provides corporate administrative support services and information technology services. This division has 15 employees.

The ***Corporate Development Division*** is responsible for facilitating and enhancing Saskatchewan's economic growth by strategically investing in specific industry sectors of the economy. As such, the division identifies, evaluates, pursues and develops commercially viable investment opportunities requiring equity and/or debt financing. Through its Public-Private Partnership unit, the division is also responsible for pursuing and developing public-private partnerships across government and the Crown sector. This division has 12 employees.

The ***Investments Division*** is responsible for the ongoing management of all CIC investments with private sector partners. It is responsible for the prudent management of a diversified portfolio of commercially viable investments which encompasses monitoring existing investments and their expansion or divestiture as appropriate. This division has 11 employees.

***Capital Pension and Benefits Administration*** administers the multi-employer Capital Pension Plan and a benefits package. This division has seven employees.

## Photos

**Front Cover**
Deb Kachluba, Director, Human Resources; Lynda McDonald, Executive Secretary and Human Resources Assistant; and Carla Stouffer, Administrator, Human Resources.

**Table of Contents**
Krzysztof Stoszek, Administrator, Information Systems.

**Pages 2 and 3**
Maynard Sonntag, Minister and Chair of CIC; and Frank Hart, President and CEO.

**Page 4**
Top photo: Garry Pearce, Financial Analyst; and Sheri Lucas, Senior Financial Analyst.

Bottom photo: Janelle Dynna, Director of First Impressions; Maureen Sullivan, Executive Secretary, Corporate Development; and Elaine Peake, Administrative Co-ordinator, Corporate Development.

**Page 5**
Murray Mucha, Manager, Corporate Development; and Dennis Estey, Director, Corporate Development.

**Management's Discussion and Analysis Tab**
Murray Mucha, Manager, Corporate Development; and Dennis Estey, Director, Corporate Development.

**Initiatives Tab**
Janelle Dynna, Director of First Impressions; Maureen Sullivan, Executive Secretary, Corporate Development; and Elaine Peake, Administrative Co-ordinator, Corporate Development.

**Page 43**
Back row: Ron Colin, former Senior Business Analyst; Dale Bloom, Corporate Secretary; Ian Yeates, former Director, Performance Management; and James Hoffman, Director, Performance Management.

Front row: Lynda Haverstock, Lieutenant Governor of Saskatchewan; Kathryn Buitenhuis, Executive Director, Strategic Management; Wendy Dean, Director, Corporate Secretariat; Susan Kim, former Business Analyst; Dawn Stanger, Corporate Secretary; and Mike Shaw, Senior Vice President, Crown Corporation Services.

**CIC Consolidated Financial Statements Tab**
Sheri Lucas, Senior Financial Analyst; and Garry Pearce, Financial Analyst.

**CIC Non-Consolidated Financial Statements Tab**
Krzysztof Stoszek, Administrator, Information Systems.

**CIC III Non-Consolidated Financial Statements Tab**
Quality controller Stephanie Hall using real-time ultrasound equipment to measure the back fat and loin eye of an animal in the Genex Swine Group Bon Accord Genetic Nucleus Unit.

**Corporate Information Tab**
Carla Stouffer, Administrator, Human Resources; Lynda McDonald, Executive Secretary and Human Resources Assistant; and Deb Kachluba, Director, Human Resources.

*All photos by Calvin Fehr of Calvin Fehr Photography, except photo on page 43 by Peter Stepaniuk of ADI Photos.*